GENERAL RULES OF INTERPRETATION

Classification of goods in the tariff schedule shall be governed by the following principles:

1. The table of contents, alphabetical index, and titles of sections, chapters and sub-chapters are provided for ease of reference only; for legal purposes, classification shall be determined according to the terms of the headings and any relative section or chapter notes and, provided such headings or notes do not otherwise require, according to the following provisions:

2. (a) Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as entered, the incomplete or unfinished article has the essential character of the complete or finished article. It shall also include a reference to that article complete or finished (or falling to be classified as complete or finished by virtue of this rule), entered unassembled or disassembled.

   (b) Any reference in a heading to a material or substance shall be taken to include a reference to mixtures or combinations of that material or substance with other materials or substances. Any reference to goods of a given material or substance shall be taken to include a reference to goods consisting wholly or partly of such material or substance. The classification of goods consisting of more than one material or substance shall be according to the principles of rule 3.

3. When, by application of rule 2(b) or for any other reason, goods are, *prima facie*, classifiable under two or more headings, classification shall be effected as follows:

   (a) The heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods.

   (b) Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to 3(a), shall be classified as if they consisted of the material or component which gives them their essential character, insofar as this criterion is applicable.

   (c) When goods cannot be classified by reference to 3(a) or 3(b), they shall be classified under the heading which occurs last in numerical order among those which equally merit consideration.

4. Goods which cannot be classified in accordance with the above rules shall be classified under the heading appropriate to the goods to which they are most akin.

5. In addition to the foregoing provisions, the following rules shall apply in respect of the goods referred to therein:

   (a) Camera cases, musical instrument cases, gun cases, drawing instrument cases, necklace cases and similar containers, specially shaped or fitted to contain a specific article or set of articles, suitable for long-term use and entered with the articles for which they are intended, shall be classified with such articles when of a kind normally sold therewith. This rule does not, however, apply to containers which give the whole its essential character;

   (b) Subject to the provisions of rule 5(a) above, packing materials and packing containers entered with the goods therein shall be classified with the goods if they are of a kind normally used for packing such goods. However, this provision is not binding when such packing materials or packing containers are clearly suitable for repetitive use.

6. For legal purposes, the classification of goods in the subheadings of a heading shall be determined according to the terms of those subheadings and any related subheading notes and, *mutatis mutandis*, to the above rules, on the understanding that only subheadings at the same level are comparable. For the purposes of this rule, the relative section, chapter and subchapter notes also apply, unless the context otherwise requires.

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ADDITIONAL U.S. RULES OF INTERPRETATION

In the absence of special language or context which otherwise requires--

(a) a tariff classification controlled by use (other than actual use) is to be determined in accordance with the use in the United States at, or immediately prior to, the date of importation, of goods of that class or kind to which the imported goods belong, and the controlling use is the principal use;

(b) a tariff classification controlled by the actual use to which the imported goods are put in the United States is satisfied only if such use is intended at the time of importation, the goods are so used and proof thereof is furnished within 3 years after the date the goods are entered;

(c) a provision for parts of an article covers products solely or principally used as a part of such articles but a provision for "parts" or "parts and accessories" shall not prevail over a specific provision for such part or accessory; and

(d) the principles of section XI regarding mixtures of two or more textile materials shall apply to the classification of goods in any provision in which a textile material is named.

GENERAL LEGAL NOTES TO THE TARIFF SCHEDULE

GENERAL PROVISIONS (GP)

GP-1. **Tariff Treatment of Imported Goods and of Vessel Equipments, Parts and Repairs**.
All goods provided for in this schedule and imported into the customs territory of the United States from outside thereof, and all vessel equipments, parts, materials and repairs covered by the provisions of subchapter XVIII to chapter 98 of this schedule, are subject to duty or exempt therefrom as prescribed in **[notes GP-3 through GP-6, inclusive, GP-8, all notes concerning special tariff treatment programs and notes FTZ-1 through FTZ-5, inclusive][the general legal notes to the schedule]**.

GP-2. Customs Territory of the United States.
The term "customs territory of the United States", as used in the tariff schedule, includes only the States, the District of Columbia and Puerto Rico.

GP-3. Rates of Duty.
The rates of duty in the "Rates of Duty" columns designated 1 ("General" and "Special") and 2 of the tariff schedule apply to goods imported into the customs territory of the United States as hereinafter provided in **notes GP-4 through GP-6, inclusive**.

GP-4. Rate of Duty Column 1.

4.1 Except as provided in **notes IP-1 through IP-6, inclusive, for products of insular possessions [and in notes WG-1 through WG-7, inclusive]**, the rates of duty in column 1 are rates which are applicable to all products other than those of countries enumerated in **note GP-5**. Column 1 is divided into two subcolumns, "General" and "Special", which are applicable as provided below.

4.2 The "General" subcolumn sets forth the general or normal trade relations (NTR) duty rates which are applicable to products of those countries described in **paragraph 4.1** above which are not entitled to special tariff treatment as set forth below.

4.3 The "Special" subcolumn reflects available rates of duty under one or more special tariff treatment programs described in **note GP-6** and identified in parentheses immediately following the duty rate specified in such subcolumn. These rates apply to those products which are properly classified under a provision for which a special rate is indicated and for which all of the legal requirements for eligibility for such program or programs have been met. **If** a product is eligible for special treatment under more than one program, the lowest rate of duty provided for any applicable program shall be imposed. Where**ver**:

4.3.1 --no special rate of duty is provided for a provision,

4.3.2 --the country from which a product otherwise eligible for special treatment was imported is not designated as a beneficiary country under a program appearing with the appropriate provision,

4.3.3 --**the importer does not properly claim special rate treatment, or**

4.3.4 --**the good does not comply with applicable provisions of law or regulations concerning a program for special treatment,**

the rates of duty in the "General" subcolumn of column 1 shall apply.

GP-5. Rate of Duty Column 2.
Notwithstanding any of the foregoing provisions, the rates of duty shown in column 2 shall apply to products, whether imported directly or indirectly, of the following countries and areas pursuant to section 401 of the Tariff Classification Act of 1962, to section 231 or 257(e)(2) of the Trade Expansion Act of 1962, to section 404(a) of the Trade Act of 1974 or to any other applicable section of law, or to action taken by the President thereunder:

Afghanistan	North Korea
Cuba	Vietnam
Laos	

[*Compiler's note: Pursuant to Pub.L. 102-420, Oct. 16, 1992 (106 Stat. 2149), nondiscriminatory treatment was withdrawn from goods that are products of Serbia or Montenegro effective Oct. 31, 71992.*]

GP-6. **Products Eligible for Special Tariff Treatment**.

6.1 Programs under which special tariff treatment may be provided, and the corresponding symbols for such programs as they are indicated in the "Special" subcolumn, are as follows:

Products of Insular Possessions	No symbol
Products of West Bank, Gaza Strip and Qualifying Industrial Zones	No symbol
Generalized System of Preferences	A, A* or A+
Automotive Products Trade Act	B
Agreement on Trade in Civil Aircraft	C
North American Free Trade Agreement:	
Goods of Canada, under the terms of **[the notes pertaining to the NAFTA]**	CA
Goods of Mexico, under the terms of **[the notes pertaining to the NAFTA]**	MX
Caribbean Basin Economic Recovery Act	E or E*
United States-Israel Free Trade Area	IL
Andean Trade Preference Act	J or J*
Agreement on Trade in Pharmaceutical Products	K
Uruguay Round Concessions on Intermediate Chemicals for Dyes	L

6.2 Articles which are eligible for the special tariff treatment provided for in **[the legal]** notes **pertaining to special tariff treatment below** and which are subject to temporary modification under any provision of subchapters I, II and VII of chapter 99 shall be subject, for the period indicated in the "Effective Period" column in chapter 99, to rates of duty as follows:

6.2.1 --if a rate of duty for which the article may be eligible is set forth in the "Special" subcolumn in chapter 99 followed by one or more symbols described above, such rate shall apply in lieu of the rate followed by the corresponding symbol(s) set forth for such article in the "Special" subcolumn in chapters 1 to 98; or

6.2.2 --if "No change" appears in the "Special" subcolumn in chapter 99 and **paragraph 6.2.1** above does not apply, the rate of duty in the "General" subcolumn in chapter 99 or the applicable rate(s) of duty set forth in the "Special" subcolumn in chapters 1 to 98, whichever is lower, shall apply.

6.3 Unless the context requires otherwise, articles which are eligible for the special tariff treatment provided for in **legal** notes **pertaining to special tariff treatment programs for which symbols are enumerated in note GP-6.1** and which are subject to temporary modification under any provision of subchapters III or IV of chapter 99 shall be subject, for the period indicated in chapter 99, to the rates of duty in the "General" subcolumn in such chapter.

6.4 Whenever any rate of duty set forth in the "Special" subcolumn in chapters 1 to 98 is equal to or higher than, the corresponding rate of duty provided in the "General" subcolumn in such chapters, such rate of duty in the "Special" subcolumn shall be deleted; except that, if the rate of duty in the "Special" subcolumn is an intermediate stage in a series of staged rate reductions for that provision, such rate shall be treated as a suspended rate and shall be set forth in the "Special" subcolumn, followed by one or more symbols described above, and followed by an "s" in parentheses. If no rate of duty for which the article may be eligible is provided in the "Special" subcolumn for a particular provision in chapters 1 to 98, the rate of duty provided in the "General" subcolumn shall apply.

GP-7. **Definitions**.

For the purposes of the tariff schedule, unless the context otherwise requires:

7.1 --the term "entered" means entered, or withdrawn from warehouse for consumption, in the customs territory of the United States;

7.2 --the term "entered for consumption" does not include withdrawals from warehouse for consumption;

7.3 --the term "withdrawn from warehouse for consumption" means withdrawn from warehouse for consumption and does not include goods entered for consumption;

7.4 --the term "rate of duty" includes a free rate of duty;

7.5 --the terms "wholly of", "in part of", and "containing", when used between the description of an article and a material (e.g., "woven fabrics, wholly of cotton"), have the following meanings:

7.5.1 --"wholly of" means that the goods are, except for negligible or insignificant quantities of some other material or materials, composed completely of the named material;

7.5.2 --"in part of" or "containing" mean that the goods contain a significant quantity of the named material.

With regard to the application of the quantitative concepts specified above, it is intended that the *de minimis* rule apply.

7.6 --the term "headings" refers to the article descriptions and tariff provisions appearing in the schedule at the first hierarchical level; the term "subheading" refers to any article description or tariff provision indented thereunder; a reference to "headings" encompasses subheadings indented thereunder.

GP-8. **Exemptions**.

For the purposes of note **GP-1**:

8.1 --corpses, together with their coffins and accompanying flowers;

8.2 --telecommunications transmissions;

8.3 --records, diagrams and other data with regard to any business, engineering or exploration operation whether on paper, cards, photographs, blueprints, tapes or other media;

8.4 --articles returned from space within the purview of section 484a of the Tariff Act of 1930;

8.5 --articles exported from the United States which are returned within 45 days after such exportation from the United States as undeliverable and which have not left the custody of the carrier or foreign customs service; and

8.6 --any aircraft part or equipment that was removed from a United States-registered aircraft while being used abroad in international traffic because of accident, breakdown, or emergency, that was returned to the United States within 45 days after removal, and that did not leave the custody of the carrier or foreign customs service while abroad,

are not goods subject to the provisions of the tariff schedule. No exportation referred to in **note GP-8.5** may be treated as satisfying any requirement for exportation in order to receive a benefit from, or meet an obligation to, the United States as a result of such exportation.

GP-9. **Exclusions from Tariff-Rate Quotas**.

9.1 Whenever any agricultural product of chapters 2 through 52, inclusive, is of a type (1) subject to a tariff-rate quota and (2) subject to the provisions of subchapter IV of chapter 99, entries of such products described in this note shall not be counted against the quantity specified as the in-quota quantity for any such product in such chapters:

9.1.1 --such products imported by or for the account of any agency of the U.S. Government;

9.1.2 --such products imported for the personal use of the importer, provided that the net quantity of such product in any one shipment does not exceed 5 kilograms;

9.1.3 --such products, which will not enter the commerce of the United States, imported as samples for taking orders, for exhibition, display or sampling at a trade fair, for research, for use by embassies of foreign governments or for testing of equipment, provided that written approval of the Secretary of Agriculture or his designated representative the United States Department of Agriculture (USDA) is presented at the time of entry;

9.1.4 --blended syrups containing sugars derived from sugar cane or sugar beets, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the ultimate consumer in the identical form and package in which imported, provided that, subject to approval of the Foreign Trade Zones Board, such syrups are manufactured in and entered from a U.S. foreign trade zone by a foreign trade zone user whose facilities were in operation on June 1, 1990, to the extent that the annual quantity entered into the customs territory from such zone does not contain a quantity of sugar of nondomestic origin greater than that authorized by the Foreign Trade Zones Board for processing in the zones during calendar year 1985; and

9.1.5 --cotton entered under the provisions of U.S. note 6 to subchapter III of chapter 99 and subheadings 9903.52.00 through 9903.52.20, inclusive.

9.2 In applying to USDA for approval under **paragraph 9.1.3** of this note, the importer must identify the product, quantity and intended use of the goods for which exemption is sought. USDA may seek additional information and specify such conditions of entry as it deems necessary to ensure that the product will not enter the commerce of the United States.

9.3 The Secretary of Agriculture shall carry out the provisions of this note in consultation with the United States Trade Representative.

GP-10. **Commingling of Goods**.

10.1 Whenever goods subject to different rates of duty are so packed together or mingled that the quantity or value of each class of goods cannot be readily ascertained by customs officers (without physical segregation of the shipment or the contents of any entire package thereof), by one or more of the following means:

10.1.1 --sampling,

10.1.2 --verification of packing lists or other documents filed at the time of entry, or

10.1.3 --evidence showing performance of commercial settlement tests generally accepted in the trade and filed in such time and manner as may be prescribed by regulations of the Secretary of the Treasury,

the commingled goods shall be subject to the highest rate of duty applicable to any part thereof unless the consignee or his agent segregates the goods pursuant to paragraph **10.2** hereof.

10.2 Every segregation of goods made pursuant to this note shall be accomplished by the consignee or his agent at the risk and expense of the consignee within 30 days (unless the Secretary authorizes in writing a longer time) after the date of personal delivery or mailing, by such employee as the Secretary of the Treasury shall designate, of written notice to the consignee that the goods are commingled and that the quantity or value of each class of goods cannot be readily ascertained by customs officers. Every such segregation shall be accomplished under customs supervision, and the compensation and expenses of the supervising customs officers shall be reimbursed to the Government by the consignee under such regulations as the Secretary of the Treasury may prescribe.

10.3 The foregoing provisions of this note do not apply with respect to any part of a shipment if the consignee or his agent furnishes, in such time and manner as may be prescribed by regulations of the Secretary of the Treasury, satisfactory proof:

10.3.1 --that such part (1) is commercially negligible, (2) is not capable of segregation without excessive cost and (3) will not be segregated prior to its use in a manufacturing process or otherwise, and

10.3.2 --that the commingling was not intended to avoid the payment of lawful duties.

Any goods with respect to which such proof is furnished shall be considered for all customs purposes as a part of the goods, subject to the next lower rate of duty, with which they are commingled.

10.4 The foregoing provisions of this note do not apply with respect to any shipment if the consignee or his agent shall furnish, in such time and manner as may be prescribed by regulations of the Secretary of the Treasury, satisfactory proof:

10.4.1 --that the value of the commingled goods is less than the aggregate value would be if the shipment were segregated;

10.4.2 --that the shipment is not capable of segregation without excessive cost and will not be segregated prior to its use in a manufacturing process or otherwise; and

10.4.3 --that the commingling was not intended to avoid the payment of lawful duties.

Any goods with respect to which such proof is furnished shall be considered for all customs purposes to be dutiable at the rate applicable to the material present in greater quantity than any other material.

10.5 The provisions of this note shall apply only in cases where the tariff schedule does not expressly provide a particular tariff treatment for commingled goods.

GLNs.GP11--GP-12

GP-11. **Authority of Secretary of Treasury**.

11.1 **Issuance of Rules and Regulations**. The Secretary of the Treasury is hereby authorized to issue rules and regulations governing the admission of articles under the provisions of the tariff schedule. The allowance of an importer's claim for classification, under any of the provisions of the tariff schedule which provides for total or partial relief from duty or other import restrictions on the basis of facts which are not determinable from an examination of the article itself in its condition as imported, is dependent upon his complying with any rules or regulations which may be issued pursuant to this note.

11.2 **Methods of Ascertainment**. The Secretary of the Treasury is authorized to prescribe methods of analyzing, testing, sampling, weighing, gauging, measuring or other methods of ascertainment whenever he finds that such methods are necessary to determine the physical, chemical or other properties or characteristics of articles for purposes of any law administered by the Customs Service.

[*Compiler's note: General provisions continue on next page; text of draft note GP-12 is not divided, as splitting the table across two pages would create confusion*.]

GP-12. **Abbreviations**.

In the tariff schedule the following symbols and abbreviations are used with the meanings respectively indicated below:

$	-	dollars	kVA	-	kilovolt-amperes
¢	-	cents	kvar	-	kilovolt-amperes reactive
%	-	percent ad valorem	kW	-	kilowatts
+	-	plus	kWH	-	kilowatt-hours
/	-	per	lin	-	linear
°	-	degrees	m	-	meter
AC	-	alternating current	Mbq	-	megabecquerel
ASTM	-	American Society for Testing Materials	mc	-	millicuries
			mg	-	milligrams
bbl	-	barrels	MHz	-	megahertz
C	-	Celsius	ml	-	milliliters
cc	-	cubic centimeters	mm	-	millimeters
cu.	-	cubic	MPa	-	megapascals
cg	-	centigrams	m^2	-	square meters
cm	-	centimeters	m^3	-	cubic meters
cm^2	-	square centimeters	No.	-	number
cm^3	-	cubic centimeters	ode	-	ozone depletion equivalent
cy	-	clean yield	pcs.	-	pieces
d	-	Denier	pf.	-	proof
DC	-	direct current	prs.	-	pairs
doz.	-	dozens	r.p.m.	-	revolutions per minute
g	-	grams	sbe	-	standard brick equivalent
G.V.W.	-	gross vehicle weight	SME	-	square meters equivalent
I.R.C.	-	Internal Revenue Code	stems	-	stems
kcal	-	kilocalories	t	-	metric tons
kg	-	kilograms	V	-	volts
kHz	-	kilohertz	W	-	watts
kN	-	kilonewtons	wt.	-	weight

SPECIAL TARIFF TREATMENT PROGRAMS

Products of Insular Possessions (IP).

IP-1. **Scope of Program**.

Except as provided in additional U.S. note 5 of chapter 91 and except as provided in additional U.S. note 2 of chapter 96, and except as provided in section 423 of the Tax Reform Act of 1986, goods imported from insular possessions of the United States which are outside the customs territory of the United States are subject to the rates of duty set forth in column 1 of the tariff schedule, **[subject to the provisions of note IP-3 below,]** except that all such goods the growth or product of any such possession, or manufactured or produced in any such possession from materials the growth, product or manufacture of any such possession or of the customs territory of the United States, or of both, which do not contain foreign materials to the value of more than 70 percent of their total value (or more than 50 percent of their total value with respect to goods described in section 213(b) of the Caribbean Basin Economic Recovery Act), coming to the customs territory of the United States directly from any such possession, and all goods previously imported into the customs territory of the United States with payment of all applicable duties and taxes imposed upon or by reason of importation which were shipped from the United States, without remission, refund or drawback of such duties or taxes, directly to the possession from which they are being returned by direct shipment, are exempt from duty.

IP-2. **Eligible Goods**.

In determining whether goods produced or manufactured in any such insular possession contain foreign materials to the value of more than 70 percent, no material shall be considered foreign which either:

2.1 --at the time such goods are entered, or

2.2 --at the time such material is imported into the insular possession,

may be imported into the customs territory from a foreign country, and entered free of duty; except that no goods containing material to which **paragraph 2.2** applies shall be exempt from duty under **note IP-1** unless adequate documentation is supplied to show that the material has been incorporated into such goods during the 18-month period after the date on which such material is imported into the insular possession.

IP-3. **Relationship to Other Special Programs**.

3.1 Subject to the limitations imposed under sections 503(a)(2), 503(a)(3) and 503(c) of the Trade Act of 1974, goods designated as eligible under section 503 of such Act which are imported from an insular possession of the United States shall receive duty treatment no less favorable than the treatment afforded such goods imported from a beneficiary developing country under title V of such Act.

3.2 Subject to the provisions in section 213 of the Caribbean Basin Economic Recovery Act, goods which are imported from insular possessions of the United States shall receive duty treatment no less favorable than the treatment afforded such goods when they are imported from a beneficiary country under such Act.

3.3 Subject to the provisions in section 204 of the Andean Trade Preference Act, goods which are imported from insular possessions of the United States shall receive duty treatment no less favorable than the treatment afforded such goods when they are imported from a beneficiary country under such Act.

IP-4. **Agricultural Goods**.

No quantity of an agricultural product that is subject to a tariff-rate quota that exceeds the in-quota quantity shall be eligible for duty-free treatment under this paragraph.

GLNs.WG-1--WG-4

Products of the West Bank, the Gaza Strip or a Qualifying Industrial Zone (WG).

WG-1. **Eligible Goods**.

Subject to the provisions of **the notes pertaining to this program**, articles which are imported directly from the West Bank, the Gaza Strip, a qualifying industrial zone as defined in **note WG-7** or Israel and are:

1.1 --wholly the growth, product or manufacture of the West Bank, the Gaza Strip or a qualifying industrial zone; or

1.2 --new or different articles of commerce that have been grown, produced or manufactured in the West Bank, the Gaza Strip or a qualifying industrial zone, and the sum of:

1.2.1 --the cost or value of the materials produced in the West Bank, the Gaza Strip, a qualifying industrial zone or Israel, plus

1.2.2 --the direct costs of processing operations (not including simple combining or packaging operations, and not including mere dilution with water or with another substance that does not materially alter the characteristics of such articles) performed in the West Bank, the Gaza Strip, a qualifying industrial zone or Israel,

is not less than 35 percent of the appraised value of such articles;

shall be eligible for duty-free entry into the customs territory of the United States. For purposes of **paragraph 1.2**, materials which are used in the production of articles in the West Bank, the Gaza Strip or a qualifying industrial zone, and which are the product of the United States, may be counted in an amount up to 15 percent of the appraised value of such articles.

WG-2. **Direct Importation**.

Articles are "imported directly" for the purposes of **the notes pertaining to this program** if:

2.1 --they are shipped directly from the West Bank, the Gaza Strip, a qualifying industrial zone or Israel into the United States without passing through the territory of any intermediate country; or

2.2 --they are shipped through the territory of an intermediate country, and the articles in the shipment do not enter into the commerce of any intermediate country and the invoices, bills of lading and other shipping documents specify the United States as the final destination; or

2.3 --they are shipped through an intermediate country and the invoices and other documents do not specify the United States as the final destination, and the articles:

2.3.1 --remain under the control of the customs authority in an intermediate country;

2.3.2 --do not enter into the commerce of an intermediate country except for the purpose of a sale other than at retail, but only if the articles are imported as a result of the original commercial transactions between the importer and the producer or the producer's sales agent; and

2.3.3 --have not been subjected to operations other than loading, unloading or other activities necessary to preserve the articles in good condition.

WG-3. **Substantial Transformation**.

The term "new or different articles of commerce" means that articles must have been substantially transformed in the West Bank, the Gaza Strip or a qualifying industrial zone into articles with a new name, character or use.

WG-4. **Value Contribution Criteria**.

4.1 For the purposes of **the notes pertaining to this program**, the cost or value or materials produced in the West Bank, the Gaza Strip or a qualifying industrial zone includes:

4.1.1 --the manufacturer's actual cost for the materials;

4.1.2 --when not included in the manufacturer's actual cost for the materials, the freight, insurance, packing and all other costs incurred in transporting the materials to the manufacturer's plant;

4.1.3 --the actual cost of waste or spoilage, less the value of recoverable scrap; and

4.1.4 --taxes or duties imposed on the materials by the West Bank, the Gaza Strip or a qualifying industrial zone, if such taxes are not remitted on exportation.

4.2 If a material is provided to the manufacturer without charge, or at less than fair market value, its cost or value shall be determined by computing the sum of:

4.2.1 --all expenses incurred in the growth, production or manufacturer of the material, including general expenses;

4.2.2 --an amount for profit; and

4.2.3 --freight, insurance, packing and all other costs incurred in transporting the material to the manufacturer's plant.

4.3 If the information necessary to compute the cost or value of a material is not available, the Customs Service may ascertain or estimate the value thereof using all reasonable methods.

WG-5. **Direct Costs of Processing**.

5.1 For purposes of **notes pertaining to this program**, the "direct costs of processing operations performed in the West Bank, the Gaza Strip or a qualifying industrial zone" with respect to an article are those costs either directly incurred in, or which can be reasonably allocated to, the growth, production, manufacture or assembly of that article. Such costs include, but are not limited to, the following to the extent that they are includible in the appraised value of articles imported into the United States:

5.1.1 --All actual labor costs involved in the growth, production, manufacture or assembly of the article, including fringe benefits, on-the-job training and costs of engineering, supervisory, quality control and similar personnel;

5.1.2 --Dies, molds, tooling and depreciation on machinery and equipment which are allocable to such articles;

5.1.3 --Research, development, design, engineering and blueprint costs insofar as they are allocable to such articles; and

5.1.4 --Costs of inspecting and testing such articles.

5.2 Those items that are not included as direct costs of processing operations with respect to an article are those which are not directly attributable to the article or are not costs of manufacturing the article. Such items include, but are not limited to:

5.2.1 --profit; and

5.2.2 --general expenses of doing business which are either not allocable to the article or are not related to the growth, production, manufacture or assembly of the article, such as administrative salaries, casualty and liability insurance, advertising and salesmen's salaries, commissions or expenses.

WG-6. **Importer Declaration and Certification**.

Whenever articles are entered with a claim for the duty exemption provided in this paragraph--

6.1 --the importer shall be deemed to certify that such articles meet all of the conditions for duty exemption; and

6.2 --when requested by the Customs Service, the importer, manufacturer or exporter submits a declaration setting forth all pertinent information with respect to such articles, including the following:

6.2.1 --A description of such articles, quantities, numbers and marks of packages, invoice numbers and bills of lading;

6.2.2 --A description of the operations performed in the production of such articles in the West Bank, the Gaza Strip, a qualifying industrial zone or Israel and an identification of the direct costs of processing operations;

6.2.3 --A description of the materials used in the production of such articles which are wholly the growth, product or manufacture of the West Bank, the Gaza Strip, a qualifying industrial zone, Israel or the United States, and a statement as to the cost or value of such materials;

6.2.4 --A description of the operations performed on, and a statement as to the origin and cost or value of, any foreign materials used in such articles which are claimed to have been sufficiently processed in the West Bank, the Gaza Strip, a qualifying industrial zone or Israel so as to be materials produced in the West Bank, the Gaza Strip, a qualifying industrial zone or Israel; and

6.2.5 --A description of the origin and cost or value of any foreign materials used in the article which have not been substantially transformed in the West Bank, the Gaza Strip or a qualifying industrial zone.

WG-7. **Qualifying Industrial Zone**.

For the purposes of **notes pertaining to this program**, a "qualifying industrial zone" means any area that:

7.1 --encompasses portions of the territory of Israel and Jordan or Israel and Egypt;

7.2 --has been designated by local authorities as an enclave where merchandise may enter without payment of duty or excise taxes; and

7.3 --has been **[specified?]**designated**[?]** by the United States Trade Representative in a notice published in the Federal Register as a qualifying industrial zone.

GLNs.GSP-1.1

Products of Designated Beneficiary Developing Countries for Purposes of the Generalized System of Preferences (GSP).

GSP-1. **Beneficiaries**.

The following countries, territories and associations of countries eligible for treatment as one country (pursuant to section 507(2) of the Trade Act of 1974 (19 U.S.C. 2467(2)) are designated beneficiary developing countries for the purposes of the Generalized System of Preferences, provided for in Title V of the Trade Act of 1974, as amended (19 U.S.C. 2461 *et seq*.):

1.1 Independent Countries

Albania
Angola
Antigua and Barbuda
Argentina
Armenia
Bahrain
Bangladesh
Barbados
Belarus
Belize
Benin
Bhutan
Bolivia
Bosnia and Hercegovina
Botswana
Brazil
Bulgaria
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central African Republic
Chad
Chile
Colombia
Comoros
Congo
Costa Rica
Cote d'Ivoire
Croatia
Czech Republic
Djibouti
Dominica
Dominican Republic
Ecuador
Egypt
El Salvador
Equatorial Guinea
Estonia
Ethiopia
Fiji
Gambia, The
Ghana
Grenada
Guatemala
Guinea
Guinea-Bissau
Guyana
Haiti
Honduras
Hungary
India
Indonesia
Jamaica
Jordan
Kazakhstan
Kenya
Kiribati
Kyrgyzstan
Latvia
Lebanon
Lesotho
Lithuania
Macedonia, Former Yugoslav Republic of
Madagascar
Malawi
Mali
Malta
Mauritius
Moldova
Morocco
Mozambique
Namibia
Nepal
Niger
Oman
Pakistan
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Poland
Romania
Russia
Rwanda
St. Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Sao Tome and Principe
Senegal
Seychelles
Sierra Leone
Slovakia
Slovenia
Solomon Islands
Somalia
South Africa
Sri Lanka
Suriname
Swaziland
Tanzania
Thailand
Togo
Tonga
Trinidad and Tobago
Tunisia
Turkey
Tuvalu
Uganda
Ukraine
Uruguay
Uzbekistan
Vanuatu
Venezuela
Western Samoa
Republic of Yemen
Zaire
Zambia
Zimbabwe

[*Compiler's Note: list current as of March 1, 1999*.]

1.2 Non-Independent Countries and Territories

Anguilla
British Indian Ocean Territory
Christmas Island (Australia)
Cocos (Keeling) Islands
Cook Islands
Falkland Islands (Islas Malvinas)
French Polynesia
Gibraltar
Heard Island and McDonald Islands
Montserrat
New Caledonia
Niue
Norfolk Island
Pitcairn Islands
Saint Helena
Tokelau
Turks and Caicos Islands
Virgin Islands, British
Wallis and Futuna
West Bank and Gaza Strip
Western Sahara

1.3 Associations of Countries (treated as one country)

Member Countries of the Cartagena Agreement (Andean Group)
Consisting of:
Bolivia
Colombia
Ecuador
Peru
Venezuela

Member Countries of the West African Economic and Monetary Union (WAEMU)
Consisting of:
Benin
Burkina Faso
Cote d'Ivoire
Guinea-Bissau
Mali
Niger
Senegal
Togo

Members of the Association of South East Asian Nations (ASEAN) Eligible for GSP except Brunei Darussalam, Malaysia and Singapore
Consisting of:
Indonesia
Philippines
Thailand

Member Countries of the Southern Africa Development Community (SADC)
Currently qualifying:

Botswana
Mauritius
Tanzania

Member Countries of the Caribbean Common Market (CARICOM), except The Bahamas
Consisting of:
Antigua and Barbuda
Barbados
Belize
Dominica
Grenada
Guyana
Jamaica
Montserrat
St. Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Trinidad and Tobago

GLNs.GSP-2

GSP-2. Least-Developed Beneficiary Developing Countries.

2.1 The following beneficiary countries are designated as least-developed beneficiary developing countries pursuant to section 502(a)(2) of the Trade Act of 1974, as amended:

Angola	Chad	Madagascar	Somalia
Bangladesh	Comoros	Malawi	Tanzania
Benin	Djibouti	Mali	Togo
Bhutan	Equatorial Guinea	Mozambique	Tuvalu
Burkina Faso	Ethiopia	Nepal	Uganda
Burundi	Gambia, The	Niger	Vanuatu
Cambodia	Guinea	Rwanda	Republic of Yemen
Cape Verde	Guinea-Bissau	Sao Tome and Principe	Zaire
Central African Republic	Haiti	Sierra Leone	Zambia
	Kiribati		
	Lesotho		

[*Compiler's Note: list current as of March 1, 1999*.]

2.2 Whenever an eligible article which is the growth, product or manufacture of one of the countries designated as a least-developed beneficiary developing country is imported into the customs territory of the United States directly from such country, such article shall be entitled to receive the duty-free treatment provided for in **paragraph 2.3** of this note without regard to the limitations on preferential treatment of eligible articles in section 503(c)(2)(A) of the Trade Act, as amended (19 U.S.C. 2463(c)(2)(A)).

2.3 Articles provided for in a provision for which a rate of duty "Free" appears in the "Special" subcolumn followed by the symbol "A+" in parentheses are those designated by the President to be eligible articles for purposes of the GSP pursuant to section 503(a)(1)(B) of the Trade Act of 1974, as amended. The symbol "A+" indicates that all least-developed beneficiary countries are eligible for preferential treatment with respect to all articles provided for in the designated provisions. Whenever an eligible article which is the growth, product, or manufacture of a designated least-developed developing country listed in **paragraph 2.1** of this note is imported into the customs territory of the United States directly from such country, such article shall be eligible for duty-free treatment as set forth in the "Special" subcolumn; provided that, in accordance with regulations promulgated by the Secretary of the Treasury the sum of (1) the cost or value of the materials produced in the least-developed beneficiary developing country or 2 or more countries which are members of the same association of countries which is treated as one country under section 502(a)(3) of the Trade Act of 1974, plus (2) the direct costs of processing operations performed in such least-developed beneficiary developing country or such members countries, is not less than 35 percent of the appraised value of such article at the time of its entry into the customs territory of the United States. No article or material of a least-developed beneficiary developing country shall be eligible for such treatment by virtue of having merely undergone simple combining or packing operations, or mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the article.

GSP-3. **Rules for Eligible Articles, Excluded Articles and Ineligible Beneficiaries**.

3.1 Articles provided for in a provision for which a rate of duty of "Free" appears in the "Special" subcolumn followed by the symbols "A" or "A*" in parentheses are those designated by the President to be eligible articles for purposes of the GSP pursuant to section 503 of the Trade Act of 1974. The following articles may not be designated as an eligible article for purposes of the GSP:

3.1.1 --textile and apparel articles which are subject to textile agreements;

3.1.2 --watches, except as determined by the President pursuant to section 503(c)(1)(B) of the Trade Act of 1974, as amended;

3.1.3 --import-sensitive electronic articles;

3.1.4 --import-sensitive steel articles;

3.1.5 --footwear, handbags, luggage, flat goods, work gloves and leather wearing apparel, the foregoing which were not eligible articles for purposes of the GSP on April 1, 1984;

3.1.6 --import-sensitive semimanufactured and manufactured glass products;

3.1.7 --any agricultural product of chapters 2 through 52, inclusive, that is subject to a tariff-rate quota, if entered in a quantity in excess of the in-quota quantity for such product; and

3.1.8 --any other articles which the President determines to be import-sensitive in the context of the GSP.

3.2 The symbol "A" indicates that all beneficiary developing countries are eligible for preferential treatment with respect to all articles provided for in the designated provision. The symbol "A*" indicates that certain beneficiary developing countries, specifically enumerated in **note GSP-4**, are not eligible for such preferential treatment with regard to any article provided for in the designated provision. Whenever an eligible article which is the growth, product, or manufacture of a designated beneficiary developing country listed in **note GSP-1** is imported into the customs territory of the United States directly from such country or territory, such article shall be eligible for duty-free treatment as set forth in the "Special" subcolumn, unless excluded from such treatment by **note GSP-4**; provided that, in accordance with regulations promulgated by the Secretary of the Treasury the sum of (1) the cost or value of the materials produced in the beneficiary developing country or any 2 or more countries which are members of the same association of countries which is treated as one country under section 507(2) of the Trade Act of 1974, plus (2) the direct costs of processing operations performed in such beneficiary developing country or such member countries is not less than 35 percent of the appraised value of such article at the time of its entry into the customs territory of the United States. No article or material of a beneficiary developing country shall be eligible for such treatment by virtue of having merely undergone simple combining or packing operations, or mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the article.

GSP-4. Enumeration of Beneficiaries Excluded with Respect to Particular Goods.

Articles provided for in a provision for which a rate of duty of "Free" appears in the "Special" subcolumn of rate of duty column 1 followed by the symbol "A*" in parentheses, if imported from a **and the product of a** beneficiary developing country set out opposite the provisions enumerated below, are not eligible for the duty-free treatment provided in **note GSP-3**:

[*Compiler's note: The enumeration of tariff subheadings and ineligible beneficiary developing countries is prepared annually following a review of imports during a previous time period; accordingly, such enumeration is not included in this draft. The draft general legal notes continue on the next page*.]

GLNs.MV-1--MV-2

Automotive Products and Motor Vehicles Eligible for Special Tariff Treatment (MV).

Articles entered under the Automotive Products Trade Act are subject to the following provisions:

MV-1. **Definitions**.

Motor vehicles and original motor-vehicle equipment which are Canadian articles and which fall in provisions for which the rate of duty "Free (B)" appears in the "Special" subcolumn may be entered free of duty. As used in **notes pertaining to this program**:

1.1 --The term "Canadian article" means an article which originates in Canada, as defined in **the notes pertaining to the NAFTA, below, and the tariff classifications rules in chapters 1 through 97**.

1.2 --The term "original motor-vehicle equipment", as used with reference to a Canadian article (as defined above), means such a Canadian article which has been obtained from a supplier in Canada under or pursuant to a written order, contract or letter of intent of a bona fide motor vehicle manufacturer in the United States, and which is a fabricated component originating in Canada, as defined in general note 12, and intended for use as original equipment in the manufacture in the United States of a motor vehicle, but the term does not include trailers or articles to be used in their manufacture.

1.3 --The term "motor vehicle", as used in this note, means a motor vehicle of a kind described in headings 8702, 8703 and 8704 of chapter 87 (excluding an electric trolley bus and a three-wheeled vehicle) or an automobile truck tractor principally designed for the transport of persons or goods.

1.4 --The term "bona fide motor-vehicle manufacturer" means a person who, upon application to the Secretary of Commerce, is determined by the Secretary to have produced no fewer than 15 complete motor vehicles in the United States during the previous 12 months, and to have installed capacity in the United States to produce 10 or more complete motor vehicles per 40-hour week. The Secretary of Commerce shall maintain, and publish from time to time in the *Federal Register*, a list of the names and addresses of bona fide motor-vehicle manufacturers.

MV-2. Canadian Article.

If any Canadian article accorded the status of original motor-vehicle equipment is not so used in the manufacture in the United States of motor vehicles, such Canadian article or its value (to be recovered from the importer or other person who diverted the article from its intended use as original motor-vehicle equipment) shall be subject to forfeiture, unless at the time of the diversion of the Canadian article the United States Customs Service is notified in writing, and, pursuant to arrangements made with the Service:

2.1 --the Canadian article is, under customs supervision, destroyed or exported, or

2.2 --duty is paid to the United States Government in an amount equal to the duty which would have been payable at the time of entry if the Canadian article had not been entered as original motor-vehicle equipment.

Articles Eligible for Duty-Free Treatment Pursuant to the Agreement on Trade in Civil Aircraft (AIR).

AIR-1. **Procedures**.

1.1 Whenever a product is entered under a provision for which the rate of duty "Free (C)" appears in the "Special" subcolumn and a claim for such rate of duty is made, the importer:

1.1.1 --shall maintain such supporting documentation as the Secretary of the Treasury may require; and

1.1.2 --shall be deemed to certify that the imported article is a civil aircraft, or has been imported for use in a civil aircraft and will be so used.

1.2 The importer may amend the entry or file a written statement to claim a free rate of duty under this note at any time before the liquidation of the entry becomes final, except that, notwithstanding section 505(c) of the Tariff Act of 1930 (19 U.S.C. 1505(c)), any refund resulting from any such claim shall be without interest.

AIR-2. Definitions.

2.1 For purposes of the tariff schedule, the term "civil aircraft" means any aircraft, aircraft engine, or ground flight simulator (including parts, components, and subassemblies thereof):

2.1.1 --that is used as original or replacement equipment in the design, development, testing, evaluation, manufacture, repair, maintenance, rebuilding, modification, or conversion of aircraft; and

2.1.2 --that is:

2.1.2.1 --manufactured or operated pursuant to a certificate issued by the Administrator of the Federal Aviation Administration (hereafter referred to as the "FAA") under section 44704 of title 49, United States Code, or pursuant to the approval of the airworthiness authority in the country of exportation, if such approval is recognized by the FAA as an acceptable substitute for such an FAA certificate;

2.1.2.2 --for which an application for such certificate has been submitted to, and accepted by, the Administrator of the FAA by an existing type and production certificate holder pursuant to section 44702 of title 49, United States Code, and regulations promulgated thereunder; or

2.1.2.3 --for which an application for such approval or certificate will be submitted in the future by an existing type and production certificate holder, pending the completion of design or other technical requirements stipulated by the Administrator of the FAA.

2.2 The term "civil aircraft" does not include any aircraft, aircraft engine, or ground flight simulator (or parts, components, and subassemblies thereof) purchased for use by the Department of Defense or the United States Coast Guard, unless such aircraft, aircraft engine, or ground flight simulator (or parts, components, and subassemblies thereof) satisfies the requirements of subdivisions **2.1.1** and **2.1.2.1** or **2.1.2.2 of this note**.

2.3 Subdivision **2.1.2.3** shall apply only to such quantities of the parts, components, and subassemblies as are required to meet the design and technical requirements stipulated by the Administrator. The Commissioner of Customs may require the importer to estimate the quantities of parts, components, and subassemblies covered for purposes of such subdivision.

GLNs.CB-1--CB-4

Products of Countries Designated as Beneficiary Countries for Purposes of the Caribbean Basin Economic Recovery Act (CB).

CB-1. **Beneficiary Countries**.

The following countries and territories or successor political entities are designated beneficiary countries for the purposes of the CBERA, pursuant to section 212 of that Act (19 U.S.C. 2702):

Antigua and Barbuda	Grenada	Nicaragua
Aruba	Guatemala	Panama
Bahamas	Guyana	St. Kitts and Nevis
Barbados	Haiti	Saint Lucia
Belize	Honduras	Saint Vincent and the Grenadines
Costa Rica	Jamaica	Trinidad and Tobago
Dominica	Montserrat	Virgin Islands, British
Dominican Republic	Netherlands Antilles	
El Salvador		

CB-2. **Scope of Duty-free Treatment**.

Unless otherwise excluded from eligibility by the provisions of **notes CB-7.2 or CB-7.3**, any article which is the growth, product, or manufacture of a beneficiary country shall be eligible for duty-free treatment if that article is provided for in a subheading for which a rate of duty of "Free" appears in the "Special" subcolumn followed by the symbol "E" or "E*" in parentheses, and if:

2.1 --that article is imported directly from a beneficiary country into the customs territory of the United States; and

2.2 --the sum of (1) the cost or value of the materials produced in a beneficiary country or two or more beneficiary countries, plus (2) the direct costs of processing operations performed in a beneficiary country or countries is not less than 35 per centum of the appraised value of such article at the time it is entered. For purposes of determining the percentage referred to in (2) above, the term "beneficiary country" includes the Commonwealth of Puerto Rico and the United States Virgin Islands. If the cost or value of materials produced in the customs territory of the United States (other than the Commonwealth of Puerto Rico) is included with respect to an article to which this note applies, an amount not to exceed 15 per centum of the appraised value of the article at the time it is entered that is attributed to such United States cost or value may be applied toward determining the percentage referred to in (2) above.

CB-3. **Regulatory Authority; Minimal Processing**.

Pursuant to subsection 213(a)(2) of the CBERA, the Secretary of the Treasury shall prescribe such regulation as may be necessary to carry out **the notes pertaining to this program** including, but not limited to, regulations providing that, in order to be eligible for duty-free treatment under CBERA, an article must be wholly the growth, product, or manufacture of a beneficiary country, or must be a new or different article of commerce which has been grown, produced, or manufactured in the beneficiary country, and must be stated as such in a declaration by the appropriate party; but no article or material of a beneficiary country shall be eligible for such treatment by virtue of having merely undergone:

3.1 --simple combining or packaging operations, or

3.2 --mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the article.

CB-4. **Direct Costs of Processing**.

As used in **note CB-2**, the phrase "direct costs of processing operations" includes, but is not limited to:

4.1 --all actual labor costs involved in the growth, production, manufacture, or assembly of the specific merchandise, including fringe benefits, on-the-job training and the cost of engineering, supervisory, quality control, and similar personnel; and

4.2 --dies, molds, tooling, and depreciation on machinery and equipment which are allocable to the specific merchandise.

Such phrase does not include costs which are not directly attributable to the merchandise concerned or are not costs of manufacturing the product, such as (1) profit, and (2) general expenses of doing business which are either not allocable to the specific merchandise or are not related to the growth, production, manufacture, or assembly of the merchandise, such as administrative salaries, casualty and liability insurance, advertising, and salesmen's salaries, commissions or expenses.

CB-5. **Direct Importation**.

Notwithstanding section 311 of the Tariff Act of 1930 (19 U.S.C. 1311), the products of a beneficiary country which are imported directly from such country into Puerto Rico may be entered under bond for processing or manufacturing in Puerto Rico. No duty shall be imposed on the withdrawal from warehouse of the product of such processing or manufacturing if, at the time of such withdrawal, such product meets the requirements of **note CB-2.2** above.

CB-6. **Program Criteria**.

Pursuant to subsection 213(a)(5) of the CBERA, duty-free treatment shall be provided under the CBERA to an article (other than an article enumerated in subsection 213(b) of the CBERA) which is the growth, product, or manufacture of Puerto Rico if:

6.1 --the article is imported directly from the beneficiary country into the customs territory of the United States,

6.2 --the article was by any means advanced in value or improved in condition in a beneficiary country, and

6.3 --any materials are added to the article in a beneficiary country, such materials are a product of a beneficiary country or the United States.

GLNs.CB-7--CB-8

CB-7. **Eligible Articles**.

7.1 Articles provided for in a provision for which a rate of duty of "Free" appears in the "Special" subcolumn followed by the symbols "E" or "E*" in parentheses are eligible articles for purposes of the CBERA pursuant to section 213 of that Act. The symbol "E" indicates that all articles provided for in the designated provision are eligible for preferential treatment except those described in **paragraph 7.3 of this note**. The symbol "E*" indicates that some articles provided for in the designated provision are not eligible for preferential treatment, as further described in **paragraph 7.2** of this note. Whenever an eligible article is imported into the customs territory of the United States in accordance with the provisions of **note 7.2** from a country or territory listed in **note CB-1**, it shall be eligible for duty-free treatment as set forth in the "Special" subcolumn, unless excluded from such treatment by **paragraphs 7.2 or 7.3** of this note. Whenever a rate of duty other than "Free" appears in the special subcolumn followed by the symbol "E" in parentheses, articles imported into the customs territory of the United States in accordance with the provisions of **note CB-2** from a country or territory listed in **note CB-1** shall be eligible for such rate in lieu of the rate of duty set forth in the "General" subcolumn.

7.2 Articles provided for in a provision for which a rate of duty of "Free" appears in the "Special" subcolumn followed by the symbol "E*" in parentheses shall be eligible for the duty-free treatment provided for in this note, except:

7.2.1 --articles of beef or veal, however provided for in chapter 2 or chapter 16 and heading 2301, and sugars, sirups and molasses, provided for in heading 1701 and subheadings 1702.90.20 and 2106.90.44, if a product of the following countries, pursuant to section 213(c) of the CBERA:

Antigua and Barbuda
Montserrat
Netherlands Antilles
Saint Lucia
Saint Vincent and the Grenadines

7.2.2 --sugars, sirups and molasses, provided for in heading 1701 and subheadings 1702.90.20 and 2106.90.44, to the extent that importation and duty-free treatment of such articles are limited by additional U.S. note 4 to chapter 17, pursuant to section 213(d) of the CBERA; or

7.2.3 --except as provided in **paragraph 7.4** of this note, textile and apparel articles:

7.2.3.1 --of cotton, wool or fine animal hair, man-made fibers, or blends thereof in which those fibers, in the aggregate, exceed in weight each other single component fiber thereof; or

7.2.3.2 --in which either the cotton content or the man-made fiber content equals or exceeds 50 percent by weight of all component fibers thereof; or

7.2.3.3 --in which the wool or fine animal hair content exceeds 17 percent by weight of all component fibers thereof; or

7.2.3.4 --containing blends of cotton, wool or fine animal hair, or man-made fibers, which fibers, in the aggregate, amount to 50 percent or more by weight of all component fibers thereof;

provided, that beneficiary country exports of handloom fabrics of the cottage industry, or handmade cottage industry products made of such handloom fabrics, or traditional folklore handicraft textile products, if such products are properly certified under an arrangement established between the United States and such beneficiary country, are eligible for the duty-free treatment provided for in this note.

7.3 The duty-free treatment provided under the CBERA shall not apply to watches and watch parts (including cases, bracelets and straps), of whatever type including, but not limited to, mechanical, quartz digital or quartz analog, if such watches or watch parts contain any material which is the product of any country with respect to which column 2 rates of duty apply.

7.4 Handbags, luggage, flat goods, work gloves, and leather wearing apparel, the product of any beneficiary country, and not designated on August 5, 1983, as eligible articles for purposes of the GSP, are dutiable at the rates set forth in the "Special" subcolumn of column 1 followed by the symbol "E" in parentheses.

CB-8. **Agricultural Products**.

The duty-free treatment provided under the CBERA shall not apply to any agricultural product of chapters 2 through 52, inclusive, that is subject to a tariff-rate quota, if entered in a quantity in excess of the in-quota quantity for such product.

United States-Israel Free Trade Area Implementation Act of 1985 (IL).

IL-1. **Scope of Duty-free Treatment**.

The products of Israel described in Annex 1 of the Agreement on the Establishment of a Free Trade Area between the Government of the United States of America and the Government of Israel, entered into on April 22, 1985, are subject to duty as provided herein. Products of Israel, as defined in **note IL-2** of this note, imported into the customs territory of the United States and entered under a provision for which a rate of duty appears in the "Special" subcolumn followed by the symbol "IL" in parentheses are eligible for the tariff treatment set forth in the "Special" subcolumn, in accordance with section 4(a) of the United States-Israel Free Trade Area Implementation Act of 1985 (99 Stat. 82).

IL-2. **Program Criteria**.

For purposes of **the notes pertaining to this program**, goods imported into the customs territory of the United States are eligible for treatment as "products of Israel" only if:

2.1 --each article is the growth, product or manufacture of Israel or is a new or different article of commerce that has been grown, produced or manufactured in Israel;

2.2 --each article is imported directly from Israel (or directly from the West Bank, the Gaza Strip or a qualifying industrial zone as defined in **note WG-7** to the tariff schedule) into the customs territory of the United States; and

2.3 --the sum of:

2.3.1 --the cost or value of the materials produced in Israel, and including the cost or value of materials produced in the West Bank, the Gaza Strip or a qualifying industrial zone pursuant to **notes WG-1 through WG-7, inclusive,** to the tariff schedule, plus

2.3.2 --the direct costs of processing operations performed in Israel, and including the direct costs of processing operations performed in the West Bank, the Gaza Strip or a qualifying industrial zone pursuant to **notes WG-1 through WG-7, inclusive,** to the tariff schedule, is not less than 35 percent of the appraised value of each article at the time it is entered.

If the cost or value of materials produced in the customs territory of the United States is included with respect to an article to which **the notes pertaining to this program apply**, an amount not to exceed 15 percent of the appraised value of the article at the time it is entered that is attributable to such United States cost or value may be applied toward determining the percentage referred to in **note IL-2.3**.

IL-3. **Minimal Processing**.

No goods may be considered to meet the requirements of **note IL-2.1** by virtue of having merely undergone:

3.1 --simple combining or packaging operations; or

3.2 --mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the goods.

IL-4. **Direct Costs of Processing**.

As used in **the notes pertaining to this program**, the phrase "direct costs of processing operations" includes, but is not limited to:

4.1 --all actual labor costs involved in the growth, production, manufacture or assembly of the specific merchandise, including fringe benefits, on-the-job training and the cost of engineering, supervisory, quality control and similar personnel; and

4.2 --dies, molds, tooling and depreciation on machinery and equipment which are allocable to the specific merchandise.

Such phrase does not include costs which are not directly attributable to the merchandise concerned, or are not costs of manufacturing the product, such as (1) profit, and (2) general expenses of doing business which are either not allocable to the specific merchandise or are not related to the growth, production, manufacture or assembly of the merchandise, such as administrative salaries, casualty and liability insurance, advertising and salesmen's salaries, commissions or expenses.

IL-5. **Regulatory Authority**.

The Secretary of the Treasury, after consultation with the United States Trade Representative, shall prescribe such regulations as may be necessary to carry out this note.

GLNs.FAS-1--FAS-4

Products of the Freely Associated States (FAS).

FAS-1. **Beneficiary Countries**.

Pursuant to sections 101 and 401 of the Compact of Free Association Act of 1985 (99 Stat. 1773 and 1838), the following countries shall be eligible for treatment as freely associated states:

Marshall Islands
Micronesia, Federated States of
Republic of Palau

FAS-2. **Scope of Duty-free Treatment**.

Except as provided in **notes FAS-4 and FAS-5**, any article the growth, product or manufacture of a freely associated state shall enter the customs territory of the United States free of duty if:

2.1 --such article is imported directly from the freely associated state, and

2.2 --the sum of (1) the cost or value of the materials produced in the freely associated state, plus (2) the direct costs of processing operations performed in the freely associated state is not less than 35 percent of the appraised value of such article at the time of its entry into the customs territory of the United States.

If the cost or value of materials produced in the customs territory of the United States is included with respect to an article the product of a freely associated state and not described in subdivision (d) of this note, an amount not to exceed 15 percent of the appraised value of such article at the time it is entered that is attributed to such United States cost or value may be applied toward determining the percentage referred to in **paragraph 2.2** of this note.

FAS-3. **Tunas and Skipjack**.

Tunas and skipjack, prepared or preserved, not in oil, in airtight containers weighing with their contents not over 7 kilograms each, in an aggregate quantity entered in any calendar year from the freely associated states not to exceed 10 percent of United States consumption of canned tuna during the immediately preceding calendar year, as reported by the National Marine Fisheries Service, may enter the customs territory free of duty; such imports shall be counted against, but not be limited by, the aggregate quantity of tuna, if any, that is dutiable under subheading 1604.14.20 for that calendar year.

FAS-4. **Excluded Goods**.

The duty-free treatment provided under **note FAS-2** shall not apply to:

4.1 --tunas and skipjack, prepared or preserved, not in oil, in airtight containers weighing with their contents not over 7 kilograms each, in excess of the quantity afforded duty-free entry under **note FAS-3**;

4.2 --textile and apparel articles which are subject to textile agreements;

4.3 --footwear, handbags, luggage, flat goods, work gloves and leather wearing apparel, the foregoing which were not eligible articles for purposes of the Generalized System of Preferences on April 1, 1984;

4.4 --watches, clocks and timing apparatus of chapter 91 (except such articles incorporating an optoelectronic display and no other type of display);

4.5 --buttons of subheading 9606.21.00 or 9606.29.00; and

4.6 --any agricultural product of chapters 2 through 52, inclusive, that is subject to a tariff-rate quota, if entered in a quantity in excess of the in-quota quantity for such product.

FAS-5. **Limitations on Preferential Treatment**.

5.1 Whenever a freely associated state:

5.1.1 --has exported (directly or indirectly) to the United States during a calendar year a quantity of such article having an appraised value in excess of an amount which bears the same ratio to $25,000,000 as the gross national product of the United States for the preceding calendar year (as determined by the Department of Commerce) bears to the gross national product of the United States for calendar year 1974 (as determined for purposes of sections 503(c)(2)(A)(i)(I) and 503(c)(2)(A)(ii) of the Trade Act of 1974 (19 U.S.C. 2463(c)(2)(A)(i)(I) and 2463(c)(2)(A)(ii)); or

5.1.2 --has exported (either directly or indirectly) to the United States during a calendar year a quantity of such article equal to or exceeding 50 percent of the appraised value of the total imports of such article into the United States during that calendar year;

then on or after July 1 of the next calendar year the duty-free treatment provided under **note FAS-2** shall not apply to such article imported from such freely associated state.

5.2 Whenever during a subsequent calendar year imports of such article from such freely associated state no longer exceed the limits specified in this subdivision, then on and after July 1 of the next calendar year such article imported from such freely associated state shall again enter the customs territory of the United States free of duty under **note FAS-2**.

FAS-6. **Special Rules Waiving Limitations**.

The provisions of **note FAS-5** shall not apply with respect to an article:

6.1 --imported from a freely associated state, and

6.2 --not excluded from duty-free treatment under **note FAS-4**,

if such freely associated state has entered a quantity of such article during the preceding calendar year with an aggregate value that does not exceed the limitation on de minimis waivers applicable under section 503(c)(2)(F) of the Trade Act of 1974 (19 U.S.C. 2463(c)(2)(F)) to such preceding calendar year.

FAS-7. **Goods not Qualifying for Program**.

Any article the growth, product or manufacture of a freely associated state and excluded from duty-free treatment pursuant to **notes FAS-4 or FAS-5** shall be dutiable at the rate provided in the general subcolumn of rate of duty column 1 for the appropriate heading or subheading.

GLNs.ATPA-1--ATPA-3

Products of Countries Designated as Beneficiary Countries for Purposes of the Andean Trade Preference Act (ATPA).

ATPA-1. **Eligible Beneficiaries**.

The following countries or successor political entities are designated beneficiary countries for purposes of the ATPA, pursuant to section 203 of the Act (19 U.S.C. 3202):

Bolivia	Ecuador
Colombia	Peru

ATPA-2. **Eligible Goods**.

2.1 Unless otherwise excluded from eligibility by the provisions of **notes ATPA-5 or ATPA-6**, any article which is the growth, product, or manufacture of a beneficiary country shall be eligible for duty-free treatment if that article is provided for in a provision for which a rate of duty of "Free" appears in the "Special" subcolumn followed by the symbol "J" or "J*" in parentheses, and if:

2.1.1 --that article is imported directly from a beneficiary country into the customs territory of the United States; and

2.1.2 --the sum of (1) the cost or value of the materials produced in a beneficiary country or two or more beneficiary countries under the ATPA or the CBERA, plus (2) the direct costs of processing operations performed in a beneficiary country or countries (under the ATPA or the CBERA) is not less than 35 percent of the appraised value of such article at the time it is entered. For purposes of determining the percentage referred to in subdivision (B)(2) above, the term "beneficiary country" includes the Commonwealth of Puerto Rico and the United States Virgin Islands. If the cost or value of materials produced in the customs territory of the United States (other than the Commonwealth of Puerto Rico) is included with respect to an article to which this note applies, an amount not to exceed 15 percent of the appraised value of the article at the time it is entered that is attributed to such United States cost or value may be applied toward determining the percentage referred to in subdivision (B)(2).

2.2 Pursuant to subsection 204(a)(2) of the ATPA, the Secretary of the Treasury shall prescribe such regulations as may be necessary to carry out **the notes pertaining to this program** including, but not limited to, regulations providing that, in order to be eligible for duty-free treatment under the ATPA, an article must be wholly the growth, product, or manufacture of a beneficiary country, or must be a new and different article of commerce which has been grown, produced, or manufactured in the beneficiary country; but no article or material of a beneficiary country shall be eligible for such treatment by virtue of having merely undergone:

2.2.1 --simple combining or packaging operations, or

2.2.2 --mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the article.

ATPA-3. **Direct Costs of Processing Operations**.

As used in **note ATPA-2**, the phrase "direct costs of processing operations" includes, but is not limited to:

3.1 --all actual labor costs involved in the growth, production, manufacture, or assembly of the specific merchandise, including fringe benefits, on-the-job training and the cost of engineering, supervisory, quality control, and similar personnel; and

3.2 --dies, molds, tooling, and depreciation on machinery and equipment which are allocable to the specific merchandise.

Such phrase does not include costs which are not directly attributable to the merchandise concerned or are not costs of manufacturing the product, such as (1) profit, and (2) general expenses of doing business which are either not allocable to the specific merchandise or are not related to the growth, production, manufacture, or assembly of the merchandise, such as administrative salaries, casualty and liability insurance, advertising, interest, and salesmen's salaries, commissions or expenses.

ATPA-4. **Eligible Articles--Designation and Duty Rates**.

Articles provided for in a provision for which a rate of duty of "Free" appears in the "Special" subcolumn followed by the symbol "J" or "J*" in parentheses are eligible articles for purposes of the ATPA pursuant to section 204 of that Act. Whenever an eligible article is imported into the customs territory of the United States in accordance with the provisions of **note ATPA-2** from a country listed in **note ATPA-1**, it shall be eligible for duty-free treatment set forth in the "Special" subcolumn, unless excluded from such treatment by **note ATPA-5**. Whenever a rate of duty other than "Free" appears in the "Special" subcolumn followed by the symbol "J" in parentheses, articles imported into the customs territory of the United States in accordance with the provisions of **note ATPA-2** from a country listed in **note ATPA-1** shall be eligible for such rate in lieu of the rates of duty set forth in the "General" subcolumn.

ATPA-5. **Excluded Goods**.

Articles provided for in a provision for which a rate of duty of "Free" appears in the "Special" subcolumn followed by the symbol "J*" in parentheses shall be eligible for the duty-free treatment provided for in **the notes pertaining to this program**, except:

5.1 --textile and apparel articles which are subject to textile agreements;
5.2 --footwear, except goods of subheadings 6402.20.00 and 6405.90.20 of the HTS;
5.3 --tuna, prepared or preserved in any manner, in airtight containers;
5.4 --petroleum, or any product derived from petroleum, provided for in headings 2709 and 2710 of the HTS;
5.5 --watches and watch parts (including cases, bracelets and straps), of whatever type including, but not limited to, mechanical, quartz digital or quartz analog, if such watches or watch parts contain any material which is the product of any country with respect to which the HTS column 2 rates of duty apply;
5.6 --articles to which reduced rates of duty apply under **note ATPA-6**;
5.7 --sugars, syrups, and molasses provided for in subheadings 1701.11.50, 1701.12.50, 1701.99.50, 1702.90.20 and 2106.90.46 of the HTS;
5.8 --rum and tafia provided for in subheading 2208.40 of the HTS; or
5.9 --any agricultural product of chapters 2 through 52, inclusive, that is subject to a tariff-rate quota, if entered in a quantity in excess of the in-quota quantity for such product.

ATPA-6. **Reduced Duties for Certain Goods**.

Handbags, luggage, flat goods, work gloves, and leather wearing apparel, the product of any beneficiary country, and not designated on August 5, 1983, as eligible articles for purposes of the GSP, are dutiable at the rates set forth in the "Special" subcolumn followed by the symbol "J" in parentheses.

GLNs.NAFTA-1

North American Free Trade Agreement (NAFTA).

NAFTA-1. **Eligible Goods**.

1.1 Goods originating in the territory of a party to the North American Free Trade Agreement (NAFTA) are subject to duty as provided **in the notes pertaining to this program and in the tariff classification rules ("TCRs") set forth in chapters 1 through 97 of this schedule**. For the purposes of **notes pertaining to this program and such TCRs:**

1.1.1 --Goods that originate in the territory of a NAFTA party under the terms of **paragraph 1.2** of this note 9 **and any applicable TCR** and that qualify to be marked as goods of Canada under the marking rules set forth in regulations issued by the Secretary of the Treasury (without regard to whether the goods are marked), when such goods are imported into the customs territory of the United States and are entered under a subheading for which a rate of duty appears in the "Special" subcolumn followed by the symbol "CA" in parentheses, are eligible for such duty rate, in accordance with section 201 of the North American Free Trade Agreement Implementation Act**; and**

1.1.2 --Goods that originate in the territory of a NAFTA party under **the terms of paragraph 1.2** of this note **and any applicable TCR** and that qualify to be marked as goods of Mexico under the marking rules set forth in regulations issued by the Secretary of the Treasury (whether or not the goods are marked), when such goods are imported into the customs territory of the United States and are entered under a subheading for which a rate of duty appears in the "Special" subcolumn followed by the symbol "MX" in parentheses, are eligible for such duty rate, in accordance with section 201 of the North American Free Trade Agreement Implementation Act.

1.2 For the purposes of **the notes pertaining to this program and the TCRs in chapters 1 through 97**, goods imported into the customs territory of the United States are eligible for the tariff treatment and quantitative limitations set forth in the tariff schedule as "goods originating in the territory of a NAFTA party" only if:

1.2.1 --they are goods wholly obtained or produced entirely in the territory of Canada, Mexico and/or the United States; or

1.2.2 --they have been transformed in the territory of Canada, Mexico and/or the United States so that:

1.2.2.1 --except as provided in **note NAFTA-5**, each of the non-originating materials used in the production of such goods undergoes a change in tariff classification **as provided in notes NAFTA-17 and NAFTA-18 and in the TCRs set forth in chapters 1 through 97**, or

1.2.2.2 --the goods otherwise satisfy the applicable requirements of **notes NAFTA-17 and NAFTA-18 and any applicable TCRs in chapters 1 through 97** where no change in tariff classification is required, and the goods satisfy all other requirements of **the notes pertaining to this program**; or

1.2.2.3 --they are goods produced entirely in the territory of Canada, Mexico and/or the United States exclusively from originating materials; or

1.2.2.4 --they are produced entirely in the territory of Canada, Mexico and/or the United States but one or more of the non-originating materials falling under provisions for "parts" and used in the production of such goods does not undergo a change in tariff classification because:

1.2.2.4.1 --the goods were imported into the territory of Canada, Mexico and/or the United States in unassembled or disassembled form but were classified as assembled goods pursuant to general rule of interpretation 2(a), or

1.2.2.4.2 --the tariff headings for such goods provide for and specifically describe both the goods themselves and their parts and is not further divided into subheadings, or the subheadings for such goods provide for and specifically describe both the goods themselves and their parts,

provided that such goods do not fall under chapters 61 through 63, inclusive, of the tariff schedule, and provided further that the regional value content of such goods, determined in accordance with subdivision (c) of this note, is not less than 60 percent where the transaction value method is used, or is not less than 50 percent where the net cost method is used, and such goods satisfy all other applicable provisions of **the notes pertaining to this program**. For purposes of **the notes pertaining to this program**, the term "material" means a good that is used in the production of another good, and includes a part or an ingredient.

NAFTA-2. **Regional value content**.

2.1 **In general**. Except as provided in **subdivision 2.5** of this note, the regional value content of a good shall be calculated, at the choice of the exporter or producer of such good, on the basis of either the transaction value method set out in subdivision **2.2** or the net cost method set out in subdivision **2.3**.

2.2 **Transaction value method**. The regional value content of a good may be calculated on the basis of the following transaction value method:

$$RVC = \frac{TV - VNM}{TV} \times 100$$

where RVC is the regional value content, expressed as a percentage; TV is the transaction value of the good adjusted to a F.O.B. basis; and VNM is the value of non-originating materials used by the producer in the production of the good.

2.3 **Net cost method**. The regional value content of a good may be calculated on the basis of the following net cost method:

$$RVC = \frac{NC - VNM}{NC} \times 100$$

where RVC is the regional value content, expressed as a percentage; NC is the net cost of the good; and VNM is the value of non-originating materials used by the producer in the production of the good.

2.4 **Value**. Except as provided in **notes NAFTA-3.1 and NAFTA-3.2.1.2**, the value of non-originating materials used by the producer in the production of a good shall not, for purposes of calculating the regional value content of the good under subdivision **2.2 or 2.3** of this note, include the value of non-originating materials used to produce originating materials that are subsequently used in the production of such good.

2.5 **Net cost method application**. The regional value content of a good shall be calculated solely on the basis of the net cost method set out in subdivision **2.3** of this note where:

2.5.1 --there is no transaction value for the good;

2.5.2 --the transaction value of the good is unacceptable under section 402(b) of the Tariff Act of 1930, as amended (19 U.S.C. 1401a(b));

2.5.3 --the good is sold by the producer to a related person and the volume, by units of quantity, of sales of identical or similar goods to related persons (as defined in article 415 of the NAFTA) during the six-month period immediately preceding the month in which the good is sold exceeds 85 percent of the producer's total sales of such goods during that period;

2.5.4 --the good is:

2.5.4.1 --a motor vehicle provided for in headings 8701 or 8702, subheadings 8703.21 through 8703.90, inclusive, or headings 8704, 8705 or 8706;

2.5.4.2 --identified in annex 403.1 or 403.2 to the NAFTA and is for use in a motor vehicle provided for in headings 8701 or 8702, subheadings 8703.21 through 8703.90, inclusive, or headings 8704, 8705 or 8706;

2.5.4.3 --provided for in subheadings 6401.10 through 6406.10, inclusive; or

2.5.4.4 --provided for in subheading 8469.11;

2.5.5 --the exporter or producer chooses to accumulate the regional value content of the good in accordance with **note NAFTA-4**; or

2.5.6 --the good is designated as an intermediate material under **note NAFTA-2.9** and is subject to a regional value-content requirement.

2.6 **Transaction value not usable**. If the regional value content of a good is calculated on the basis of the transaction value method set out in subdivision **2.2** of this note and a NAFTA party subsequently notifies the exporter or producer, during the course of a verification of the origin of the good, that the transaction value of the good, or the value of any material used in the production of the good, is required to be adjusted or is unacceptable under section 402 of the Tariff Act of 1930, as amended (19 U.S.C. 1401a), the exporter or producer may then also calculate the regional value content of the good on the basis of the net cost method set out in subdivision **2.3** of this note.

GLNs.NAFTA-2.7–NAFTA-2.12

2.7 **Producer's criteria**. For purposes of calculating the net cost of a good under subdivision **2.3** of this note, the producer of the good may:

2.7.1 --calculate the total cost incurred with respect to all goods produced by that producer; subtract any sales promotion, marketing and after-sales service costs, royalties, shipping and packing costs and non-allowable interest costs that are included in the total cost of all such goods; and then reasonably allocate the resulting net cost of those goods to the good;

2.7.2 --calculate the total cost incurred with respect to all goods produced by that producer; reasonably allocate the total cost to the good; and then subtract any sales promotion, marketing and after-sales service costs, royalties, shipping and packing costs and non-allowable interest costs that are included in the portion of the total cost allocated to the good; or

2.7.3 --reasonably allocate each cost that forms part of the total cost incurred with respect to the good so that the aggregate of these costs does not include any sales promotion, marketing and after-sales service costs, royalties, shipping and packing costs and non-allowable interest costs;

provided that the allocation of all such costs is consistent with the provisions regarding the reasonable allocation of costs set out in regulations issued by the Secretary of the Treasury. The term "total cost" means all product costs, period costs and other costs incurred in the territory of Canada, Mexico and/or the United States.GLNs.NAFTA-2.8--NAFTA-3.2.2

2.8 **Valuation alternatives**. Except as provided in subdivision **2.10** of this note, the value of a material used in the production of a good shall:

2.8.1 --be the transaction value of the material determined in accordance with section 402(b) of the Tariff Act of 1930, as amended; or

2.8.2 --in the event that there is no transaction value or the transaction value of the material is unacceptable under section 402(b) of the Tariff Act of 1930, as amended, be determined in accordance with subsections (c) through (h), inclusive, of such section; and

2.8.3 --where not included under subdivision **2.8.1 or 2.8.2**, include:

2.8.3.1 --freight, insurance, packing and all other costs incurred in transporting the material to the location of the producer;

2.8.3.2 --duties, taxes and customs brokerage fees on the material that were paid in the territory of Canada, Mexico, and/or the United States; and

2.8.3.3 --the cost of waste and spoilage resulting from the use of the material in the production of the good, less the value of renewable scrap or by-product.

2.9 **Intermediate materials--rule**. Except for goods described in **note NAFTA-3.1**, the producer of a good may, for purposes of calculating the regional value content of the good, designate any self-produced material (other than a component, or material thereof, identified in Annex 403.2 to the NAFTA) used in the production of the good as an intermediate material; provided that if the intermediate material is subject to a regional value-content requirement, no other self-produced material that is subject to a regional value-content requirement and is used in the production of that intermediate material may be designated by the producer as an intermediate material.

2.10 **Intermediate materials--value**. The value of an intermediate material shall be:

2.10.1 --the total cost incurred with respect to all goods produced by the producer of the good that can be reasonably allocated to that intermediate material; or

2.10.2 --the aggregate of each cost that is part of the total cost incurred with respect to that intermediate material that can be reasonably allocated to that intermediate material.

2.11 **GAAP**. The value of an indirect material shall be based on the Generally Accepted Accounting Principles applicable in the territory of Canada, Mexico, and/or the United States in which the good is produced.

2.12 **Definition**. For purposes of **the notes pertaining to this program**, the term "reasonably allocate" means to apportion in a manner appropriate to the circumstances.

NAFTA-3. **Automotive Goods**.

3.1 **Computation of regional value content--certain automotive goods**. For purposes of calculating the regional value content under the net cost method set out in **note NAFTA-2.3** for:

3.1.1 --a good that is a motor vehicle provided for in tariff items 8702.10.60 or 8702.90.60, or subheadings 8703.21 through 8703.90, inclusive, 8704.21 or 8704.31; or

3.1.2 --a good provided for in the tariff items listed in Annex 403.1 where the good is subject to a regional value-content requirement and is for use as original equipment in the production of a good provided for in tariff items 8702.10.60 or 8702.90.60, or subheadings 8703.21 through 8703.90, inclusive, 8704.21 or 8704.31,

the value of non-originating materials used by the producer in the production of the good shall be the sum of the values of non-originating materials, determined in accordance with **note NAFTA-2.8** at the time the non-originating materials are received by the first person in the territory of Canada, Mexico or the United States who takes title to them; that are imported from the outside the territories of Canada, Mexico and the United States under the tariff items listed in Annex 403.1 to the NAFTA and that are used in the production of the good or that are used in the production of any material used in the production of the good.

3.2 **Computation of regional value content--other automotive goods**. For purposes of calculating the regional value content under the net cost method for a good that is a motor vehicle provided for in heading 8701, tariff items 8702.10.30 or 8702.90.30, subheadings 8704.10, 8704.22, 8704.23, 8704.32 or 8704.90, or headings 8705 or 8706, or for a component identified in Annex 403.2 to the NAFTA for use as original equipment in the production of the motor vehicle, the value of non-originating materials used by the producer in the production of the good shall be the sum of:

3.2.1 --for each material used by the producer listed in Annex 403.2 to the NAFTA, whether or not produced by the producer, at the choice of the producer and determined in accordance with **note NAFTA-2**, either:

3.2.1.1 --the value of such material that is non-originating, or

3.2.1.2 --the value of non-originating materials used in the production of such material; and

3.2.2 --the value of any other non-originating material used by the producer that is not listed in Annex 403.2 to the NAFTA, determined in accordance with **note NAFTA-2**.

3.3 **Averaging**. For purposes of calculating the regional value content of a motor vehicle identified in subdivision **3.1 or 3.2** of this note, or for any or all goods provided for in a tariff item listed in Annex 403.1 to the NAFTA, or a component or material identified in Annex 403.2 to the NAFTA, the producer may average its calculation over its fiscal year in accordance with section 202(c)(3) and (4) of the North American Free Trade Agreement Implementation Act of 1993.

3.4 **Fiscal year rules**. Notwithstanding **notes NAFTA-17, NAFTA-18 and the TCRs set forth in chapters 1 through 97**, and except as provided in subdivision **3.5** of this note, the regional value-content requirement shall be:

3.4.1 --for a producer's fiscal year beginning on the day closest to January 1, 1998 and thereafter, 56 percent under the net cost method, and for a producer's fiscal year beginning on the day closest to January 1, 2002 and thereafter, 62.5 percent under the net cost method, for: 3.4.1.1

3.4.1.1 --a good that is a motor vehicle provided for in tariff items 8702.10.60 or 8702.90.60; subheadings 8703.21 through 8703.90, inclusive; or subheadings 8704.21 or 8704.31, and

3.4.1.2 --a good provided for in headings 8407 or 8408 or subheading 8708.40, that is for use in a motor vehicle identified in subdivision **3.4.1.1**; and

3.4.2 --for a producer's fiscal year beginning on the day closest to January 1, 1998 and thereafter, 55 percent under the net cost method, and for a producer's fiscal year beginning on the day closest to January 1, 2002 and thereafter, 60 percent under the net cost method, for--

3.4.2.1 --a good that is a motor vehicle provided for in heading 8701, tariff items 8702.10.30 or 8702.90.30, subheadings 8704.10, 8704.22, 8704.23, 8704.32 or 8704.90, or headings 8705 or 8706;

3.4.2.2 --a good provided for in headings 8407 or 8408 or subheading 8708.40 that is for use in a motor vehicle identified in subdivision **3.4.2.1**; and

3.4.2.3 --except for a good identified in subdivision **3.4.1.2** or provided for in subheadings 8482.10 through 8482.80, inclusive, 8483.20 or 8483.30, a good identified in Annex 403.1 to the NAFTA that is subject to a regional value-content requirement and that is for use in a motor vehicle identified in subdivision **3.4.1.1** or **3.4.2.1**.

GLNs.NAFTA-3.5--NAFTA-5.2

3.5 **Required percentages**. The regional value-content requirement for a motor vehicle identified in subdivision (d)(i) or (ii) shall be:

3.5.1 --50 percent for five years after the date on which the first motor vehicle prototype is produced in a plant by a motor vehicle assembler, if:

3.5.1.1 --it is a motor vehicle of a class, or marque, or, except for a motor vehicle identified in subdivision **3.2**, size category and underbody, not previously produced by the motor vehicle assembler in the territory of Canada, Mexico and/or the United States;

3.5.1.2 --the plant consists of a new building in which the motor vehicle is assembled; and

3.5.1.3 --the plant contains substantially all new machinery that is used in the country of assembly of the motor vehicle; or

3.5.2 --50 percent for two years after the date on which the first motor vehicle prototype is produced at a plant following a refit, if it is a different motor vehicle of a class, or marque, or, except for a motor vehicle identified in subdivision **3.2**, size category and underbody, than was assembled by the motor vehicle assembler in the plant before the refit.

NAFTA-4. **Accumulation**.

4.1 **Production in NAFTA region**. For purposes of determining whether a good is an originating good, the production of the good in the territory of Canada, Mexico and/or the United States by one or more producers shall, at the choice of the exporter or producer of the good for which preferential tariff treatment is claimed, be considered to have been performed in the territory of a NAFTA party by that exporter or producer, provided that:

4.1.1 --all non-originating materials used in the production of the good undergo an applicable tariff classification set out in **the TCRs in chapters 1 through 97**,

4.1.2 --the good satisfies any applicable regional value-content requirement, entirely in the territory of one or more of the NAFTA parties; and

4.1.3 --the good satisfies all other applicable requirements of **the notes pertaining to this program**.

4.2 **Election to accumulate**. For purposes of **note NAFTA-2.9**, the production of a producer that chooses to accumulate its production with that of other producers under subdivision **4.1** shall be considered to be the production of a single producer.

NAFTA-5. **De Minimis**.

5.1 **Basic rule**. Except as provided in **paragraphs 5.3 through 5.6**, inclusive, a good shall be considered to be an originating good if the value of all non-originating materials used in the production of the good that do not undergo an applicable change in tariff classification set out in **the TCRs in chapters 1 through 97** is not more than 7 percent of the transaction value of the good, adjusted to a F.O.B. basis, or, if the transaction value is unacceptable under section 402(b) of the Tariff Act of 1930, as amended, the value of all such non-originating materials is not more than 7 percent of the total cost of the good, provided that:

5.1.1 --if the good is subject to a regional value-content requirement, the value of such non-originating materials shall be taken into account in calculating the regional value content of the good; and

5.1.2 --the good satisfies all other applicable requirements of **the notes pertaining to this program**.

5.2 **Regional value content goods**. A good that is otherwise subject to a regional value-content requirement shall not be required to satisfy such requirement if the value of all non-originating materials used in the production of the good is not more than 7 percent of the transaction value of the good, adjusted to a F.O.B. basis, or, if the transaction value of the good is unacceptable under section 402(b) of the Tariff Act of 1930, the value of all non-originating materials is not more than 7 percent of the total cost of the good, provided that the good satisfies all other applicable requirements of **the notes pertaining to this program**.

5.3 **Exceptions**. Subdivision **5.1** of this note does not apply to:

5.3.1 --a non-originating material provided for in chapter 4 of this schedule or in tariff items 1901.90.32, 1901.90.33, 1901.90.34, 1901.90.36, 1901.90.38, 1901.90.42 or 1901.90.43 that is used in the production of a good provided for in chapter 4;

5.3.2 --a non-originating material provided for in chapter 4 of this schedule or in tariff items 1901.90.32, 1901.90.33, 1901.90.34, 1901.90.36, 1901.90.38, 1901.90.42 or 1901.90.43 that is used in the production of a good provided for in the following provisions: tariff items 1901.10.05, 1901.10.15, 1901.10.30, 1901.10.35, 1901.10.40, 1901.10.45, 1901.20.02, 1901.20.05, 1901.20.15, 1901.20.20, 1901.20.25, 1901.20.30, 1901.20.35, 1901.20.40, 1901.90.32, 1901.90.33, 1901.90.34, 1901.90.36, 1901.90.38, 1901.90.42 or 1901.90.43; heading 2105; or tariff items 2106.90.03, 2106.90.06, 2106.90.09, 2106.90.22, 2106.90.24, 2106.90.26, 2106.90.28, 2106.90.62, 2106.90.64, 2106.90.66, 2106.90.68, 2106.90.72, 2106.90.74, 2106.90.76, 2106.90.78, 2106.90.80, 2106.90.82, 2202.90.10, 2202.90.22, 2202.90.24, 2202.90.28, 2309.90.22, 2309.90.24 or 2309.90.28;

5.3.3 --a non-originating material provided for in heading 0805 or subheadings 2009.11 through 2009.30, inclusive, that is used in the production of a good provided for in subheadings 2009.11 through 2009.30, inclusive, or tariff items 2106.90.48, 2106.90.52, 2202.90.30, 2202.90.35 or 2202.90.36;

5.3.4 --a non-originating material provided for in chapter 9 of this schedule that is used in the production of a good provided for in tariff item 2101.11.21;

5.3.5 --a non-originating material provided for in chapter 15 of this schedule that is used in the production of a good provided for in headings 1501 through 1508, inclusive, 1512, 1514 or 1515;

5.3.6 --a non-originating material provided for in heading 1701 that is used in the production of a good provided for in headings 1701 through 1703, inclusive;

5.3.7 --a non-originating material provided for in chapter 17 or heading 1805 of this schedule that is used in the production of a good provided for in subheading 1806.10;

5.3.8 --a non-originating material provided for in headings 2203 through 2208, inclusive, that is used in the production of a good provided for in headings 2207 or 2208;

5.3.9 --a non-originating material used in the production of a good provided for in tariff item 7321.11.50, subheadings 8415.10, 8415.81 through 8415.83, inclusive, 8418.10 through 8418.21, inclusive, 8418.29 through 8418.40, inclusive, 8421.12, 8422.11, 8450.11 through 8450.20, inclusive, 8451.21 through 8451.29, inclusive, or tariff items 8479.89.55 or 8516.60.40; and

5.3.10 --a printed circuit assembly that is a non-originating material used in the production of a good where the applicable change in tariff classification for the good, provided for in **notes NAFTA-17 and NAFTA-18 and the TCRs in chapters 1 through 97**, places restrictions on the use of such non-originating material.

5.4 **Special rule--materials of heading 2009**. Subdivision **5.1** of this note does not apply to a non-originating single juice ingredient provided for in heading 2009 that is used in the production of a good provided for in subheading 2009.90 or tariff items 2106.90.54 or 2202.90.37.

5.5 **Special rule--agricultural and mineral materials**. Subdivision **5.1** of this note does not apply to a non-originating material used in the production of a good provided for in chapters 1 through 27, inclusive, of this schedule unless the non-originating material is provided for in a different subheading than the good for which origin is being determined under **the notes pertaining to this program**.

5.6 **Textile and apparel goods**. A good provided for in chapters 50 through 63, inclusive, of this schedule that does not originate because certain fibers or yarns used in the production of the component of the good that determines the tariff classification of the good do not undergo an applicable change in tariff classification, provided for in **notes NAFTA-17 and NAFTA-18 and the TCRs in chapters 1 through 97**, shall nonetheless be considered to originate if the total weight of all such fibers or yarns in that component is not more than 7 percent of the total weight of that component.

NAFTA-6. **Fungible Goods and Materials**.

For purposes of determining whether a good is an originating good:

6.1 --where originating and non-originating fungible materials are used in the production of a good, the determination of whether the materials are originating need not be made through the identification of any specific fungible material, but may be determined on the basis of any of the inventory management methods set out in regulations promulgated by the Secretary of the Treasury; and

6.2 --where originating and non-originating fungible goods are commingled and exported in the same form, the determination may be made on the basis of any of the inventory management methods set out in regulations promulgated by the Secretary of the Treasury.

The term "fungible" means that the particular materials or goods are interchangeable for commercial purposes and have essentially identical properties.

GLNs.NAFTA-7--NAFTA-12

NAFTA-7. **Accessories, Spare Parts and Tools**.

Accessories, spare parts or tools delivered with the good that form part of the good's standard accessories, spare parts or tools, shall be considered as originating if the good originates and shall be disregarded in determining whether all the non-originating materials used in the production of the good undergo the applicable change in tariff classification set out in **the TCRs in chapters 1 through 97**, provided that:

7.1 --the accessories, spare parts or tools are not invoiced separately from the good;

7.2 --the quantities and value of the accessories, spare parts or tools are customary for the good; and

7.3 --if the good is subject to a regional value-content requirement, the value of the accessories, spare parts or tools shall be taken into account as originating or non-originating materials, as the case may be, in calculating the regional value content of the good.

NAFTA-8. **Indirect Materials**.

An indirect material shall be considered to be an originating material without regard to where it is produced. The term "indirect material" means a good used in the production, testing or inspection of a good but not physically incorporated into the good, or a good used in the maintenance of buildings or the operation of equipment associated with the production of a good, including the following: fuel and energy; tools, dies and molds; spare parts and materials used in the maintenance of equipment and buildings; lubricants, greases, compounding materials and other materials used in production or used to operate other equipment and buildings; gloves, glasses, footwear, clothing, safety equipment and supplies; equipment, devices and supplies used for testing or inspecting the goods; catalysts and solvents; and any other goods that are not incorporated into the good but whose use in the production of the good can reasonably be demonstrated to be a part of that production.

NAFTA-9. **Packaging Materials and Containers for Retail Sale**.

Packaging materials and containers in which a good is packaged for retail sale shall, if classified with the good, be disregarded in determining whether all the non-originating materials used in the production of the good undergo the applicable change in tariff classification set out in **the TCRs in chapters 1 through 97**, and, if the good is subject to a regional value-content requirement, the value of such packaging materials and containers shall be taken into account as originating or non-originating materials, as the case may be, in calculating the regional value content of the good.

NAFTA-10. **Packing Materials and Containers for Shipment**.

Packing materials and containers in which the good is packed for shipment shall be disregarded in determining whether:

10.1 --the non-originating materials used in the production of the good undergo an applicable change in tariff classification set out in **the TCRs in chapters 1 through 97**; and

10.2 --the good satisfies a regional value-content requirement.

NAFTA-11. **Transshipment**.

A good shall not be considered to be an originating good by reason of having undergone production that satisfies the requirements of **the notes pertaining to this program** if, subsequent to that production, the good undergoes further production or any other operation outside the territories of the NAFTA parties, other than unloading, reloading or any other operation necessary to preserve it in good condition or to transport the good to the territory of Canada, Mexico and/or the United States.

NAFTA-12. **Non-qualifying operations**.

A good shall not be considered to be an originating good merely by reason of:

12.1 --mere dilution with water or another substance that does not materially alter the characteristics of the good; or

12.2 --any production or pricing practice with respect to which it may be demonstrated, on the basis of a preponderance of evidence, that the object was to circumvent **the notes pertaining to this program**.

NAFTA-13. **Goods Wholly Obtained or Produced**.

As used in **note NAFTA-1.2.1**, the phrase "goods wholly obtained or produced entirely in the territory of Canada, Mexico and/or the United States" means:

13.1 --mineral goods extracted in the territory of one or more of the NAFTA parties;

13.2 --vegetable goods, as such goods are defined in this schedule, harvested in the territory of one or more of the NAFTA parties;

13.3 --live animals born and raised in the territory of one or more of the NAFTA parties;

13.4 --goods obtained from hunting, trapping or fishing in the territory of one or more of the NAFTA parties;

13.5 --goods (fish, shellfish and other marine life) taken from the sea by vessels registered or recorded with a NAFTA party and flying its flag;

13.6 --goods produced on board factory ships from the goods referred to in subdivision (n)(v) provided such factory ships are registered or recorded with that NAFTA party and fly its flag;

13.7 --goods taken by a NAFTA party or a person of a NAFTA party from the seabed or beneath the seabed outside territorial waters, provided that a NAFTA party has rights to exploit such seabed;

13.8 --goods taken from outer space, provided such goods are obtained by a NAFTA party or a person of a NAFTA party and not processed outside the NAFTA parties;

13.9 --waste and scrap derived from:

13.9.1 --production in the territory of one or more of the NAFTA parties, or

13.9.2 --used goods collected in the territory of one or more of the NAFTA parties, provided such goods are fit only for the recovery of raw materials; and

13.10 --goods produced in the territory of one or more of the NAFTA parties exclusively from goods referred to in subdivisions **13.1 through 13.9**, inclusive, of this note or from their derivatives, at any stage of production.

NAFTA-14. **Non-originating Goods or Materials**.

As used in **the notes pertaining to this program**, the term "non-originating good" or "non-originating material" means a good or material that does not qualify as originating under **the notes pertaining to this program or the TCRs in chapters 1 through 97**.

NAFTA-15. **Producer**.

As used in **the notes pertaining to this program**, the term "producer" means a person who grows, mines, harvests, fishes, traps, hunts, manufactures, processes or assembles a good; and the term "production" means growing, mining, harvesting, fishing, trapping, hunting, manufacturing, processing or assembling a good.

NAFTA-16. **Territory**.

For purposes of **the notes pertaining to this program**, the term "territory" means:

16.1 --with respect to Canada, the territory to which its customs laws apply, including any areas beyond the territorial seas of Canada within which, in accordance with international law and its domestic law, Canada may exercise rights with respect to the seabed and subsoil and their natural resources;

16.2 --with respect to Mexico,

16.2.1 --the states of the Federation and the Federal District,

16.2.2 --the islands, including the reefs and keys, in adjacent seas,

16.2.3 --the islands of Guadalupe and Revillagigedo situated in the Pacific Ocean,

16.2.4 --the continental shelf and the submarine shelf of such islands, keys and reefs,

16.2.5 --the waters of the territorial seas, in accordance with international law, and its interior maritime waters,

16.2.6 --the space located above the national territory, in accordance with international law, and

16.2.7 --any areas beyond the territorial seas of Mexico within which, in accordance with international law, including the United Nations Convention on the Law of the Sea, and its domestic law, Mexico may exercise rights with respect to the seabed and subsoil and their natural resources; and

16.3 --with respect to the United States,

16.3.1 --the customs territory of the United States, as set forth in **note GP-2** to this schedule,

16.3.2 --the foreign trade zones located in the United States and Puerto Rico, and

16.3.3 --any areas beyond the territorial seas of the United States within which, in accordance with international law and its domestic law, the United States may exercise rights with respect to the seabed and subsoil and their natural resources.

GLNs.NAFTA-17

NAFTA-17. **Interpretation of Rules of Origin**.

For purposes of interpreting the rules of origin set out in **notes NAFTA-17 and NAFTA-18 and the TCRs in chapters 1 through 97**:

17.1 --the specific rule, or specific set of rules, that applies to a particular heading, subheading or tariff item is set out immediately adjacent to the heading, subheading or tariff item;

17.2 --a rule applicable to a tariff item shall take precedence over a rule applicable to the heading or subheading which is parent to that tariff item;

17.3 --a requirement of a change in tariff classification applies only to non-originating materials;

17.4 --a reference to weight in the rules for goods of chapters 1 through 24, inclusive, of the tariff schedule means dry weight unless otherwise specified in the tariff schedule;

17.5 --**note NAFTA-5** (de minimis) does not apply to:

17.5.1 --certain non-originating materials used in the production of goods provided for in the following provisions of the tariff schedule, inclusive: chapter 4; headings 1501 through 1508, 1512, 1514, 1515, or 1701 through 1703; subheading 1806.10; tariff items 1901.10.05, 1901.10.15, 1901.10.30, 1901.10.35, 1901.10.40, 1901.10.45, 1901.20.05, 1901.20.15, 1901.20.20, 1901.20.25, 1901.20.30, 1901.20.35, 1901.20.40, 1901.90.32, 1901.90.33, 1901.90.34, 1901.90.36, 1901.90.38, 1901.90.42 or 1901.90.43; subheadings 2009.11 through 2009.30 or 2009.90; heading 2105; tariff items 2101.11.21, 2106.90.03, 2106.90.06, 2106.90.09, 2106.90.22, 2106.90.24, 2106.90.26, 2106.90.28, 2106.90.48, 2106.90.52, 2106.90.54, 2106.90.62, 2106.90.64, 2106.90.66, 2106.90.68, 2106.90.72, 2106.90.74, 2106.90.76, 2106.90.78, 2106.90.80, 2106.90.82, 2202.90.10, 2202.90.22, 2202.90.24, 2202.90.28, 2202.90.30, 2202.90.35, 2202.90.36 or 2202.90.37; headings 2207 through 2208; tariff items 2309.90.22, 2309.90.24, 2309.90.28 or 7321.11.30; subheadings 8415.10, 8415.81 through 8415.83, 8418.10 through 8418.21, 8418.29 through 8418.40, 8421.12, 8422.11, 8450.11 through 8450.20, or 8451.21 through 8451.29; or tariff items 8479.89.55 or 8516.60.40;

17.5.2 --a printed circuit assembly that is a non-originating material used in the production of a good where the applicable change in tariff classification for the good places restrictions on the use of such non-originating material, and

17.5.3 --a non-originating material used in the production of a good provided for in chapters 1 through 27, inclusive, unless the non-originating material is provided for in a different subheading than the good for which origin is being determined;

17.6 --**note NAFTA-5.6** applies to a good provided for in chapters 50 through 63, inclusive, of the tariff schedule;

17.7 --for purposes of **the notes pertaining to this program and the TCRs in chapters 1 through 97**, the term subheading refers to tariff classifications designated by six digits or by six digits followed by two zeroes in this schedule; and the term tariff item refers to subordinate tariff classifications designated by eight digits in this schedule;

17.8 --for purposes of applying the **TCRs** set forth in **chapters 1 through 97** to goods of section XI of the tariff schedule, the term "wholly" means that the good is made entirely or solely of the named material; and, for purposes of **the notes pertaining to this program**, the term "average yarn number" as applied to woven fabrics of cotton or man-made fibers shall have the meaning provided in section 10 of annex 300-B of the NAFTA; and

17.9 --for purposes of determining the origin of goods for use in a motor vehicle of chapter 87, the provisions of **note NAFTA-3** may apply.

NAFTA-18. **Exceptions to Change in Tariff Classification Rules**.

18.1 Agricultural and horticultural goods grown in the territory of a NAFTA party shall be treated as originating in the territory of that party even if grown from seed, bulbs, rootstock, cuttings, slips or other live parts of plants imported from a non-party to the NAFTA, except that goods which are exported from the territory of Mexico and are provided for in:

18.1.1 --heading 1202, if the goods were not harvested in the territory of Mexico,

18.1.2 --subheading 2008.11, if any material provided for in heading 1202 used in the production of such goods was not harvested in the territory of Mexico, or

18.1.3 --tariff items 1806.10.43, 1806.10.45, 1806.10.55, 1806.10.65, 1806.10.75, 2106.90.42, 2106.90.44 or 2106.90.46, if any material provided for in subheading 1701.99 used in the production of such goods is not a qualifying good,

shall be treated as nonoriginating goods. The term "qualifying good" means an originating good that is an agricultural good, except that in determining whether such good is an originating good, operations performed in or materials obtained from Canada shall be considered as if they were performed in or obtained from a non-party to the NAFTA.

18.2 Fruit, nut and vegetable preparations of chapter 20 that have been prepared or preserved merely by freezing, by packing (including canning) in water, brine or natural juices, or by roasting, either dry or in oil (including processing incidental to freezing, packing, or roasting), shall be treated as an originating good only if the fresh good were wholly produced or obtained entirely in the territory of one or more of the NAFTA parties.

18.3 A material, imported into the territory of a NAFTA party for use in the production of a good classified in heading 3808, shall be treated as a material originating in the territory of a NAFTA party if:

18.3.1 --such material is eligible, in the territories of both that party and the party to whose territory the good is exported, for duty-free entry at the normal trade relations rate of duty; or

18.3.2 --the good is exported to the territory of the United States and such material would, if imported into the territory of the United States, be free of duty under a trade agreement that is not subject to a competitive-need limitation.

[*Compiler's note: As indicated by the use of the expression "the TCRs in chapters 1 through 97" in the notes pertaining to the NAFTA, the tariff classification rules formerly set forth in general note 12(t) to the HTS are to be moved to the pertinent chapters. In addition, these rules must be modified to reflect the simplification of the subheadings and tariff items in the chapters. Accordingly, the notes are not presented in this draft. It is proposed that language such as the following paragraphs will be inserted immediately before the table of TCRs in each such chapter*:

1. In conjunction with the terms of the general legal notes pertaining to the North American Free Trade Agreement (NAFTA), the following tariff classification rules (TCRs) for subheadings or tariff items (as defined in note NAFTA-17.7) of this chapter delineate those imported articles that are:

--eligible for special tariff treatment, as set forth in such subheadings or tariff items, as goods of Canada or goods of Mexico, and

--contain materials originating outside the territory of Canada, Mexico and/or the United States, except as provided in note NAFTA-5 or other notes pertaining to the NAFTA.

Articles that are covered by the provisions of note NAFTA-1.2, except paragraph 1.2.2.1, qualify for special tariff treatment under the terms of the notes pertaining to the NAFTA, without regard to the TCRs in chapters 1 through 97.

2. In order to apply the TCRs for this chapter:

--first classify the article being imported into the customs territory of the United States and, if it falls in a provision of this chapter, identify the TCR herein that applies to the appropriate subheading or tariff item; and

--then classify each material originating outside the territory of Canada, Mexico and/or the United States (other than as allowed under the notes pertaining to the NAFTA, in particular note NAFTA-5 concerning de minimis) and determine whether each such material has been transformed so as to change its tariff classification as provided in the pertinent TCR due to operations performed within the territory of Canada, Mexico and/or the United States.

3. Upon application of any appropriate TCR and the notes pertaining to the NAFTA, any article that does not comply with such TCR and notes is dutiable at the general rate of duty for the pertinent tariff provision.

GLNs.PHAR–ICD

Pharmaceutical products. (PHAR)

Whenever a rate of duty of "Free" followed by the symbol "K" in parentheses appears in the "Special" subcolumn for a heading or subheading, any product (by whatever name known) classifiable in such provision which is the product of a country eligible for tariff treatment under column 1 shall be entered free of duty, provided that such product is included in the pharmaceutical appendix to the tariff schedule. Products in the pharmaceutical appendix include the salts, esters and hydrates of the International Non-proprietary Name (INN) products enumerated in table 1 of the appendix that contain in their names any of the prefixes or suffixes listed in table 2 of the appendix, provided that any such salt, ester or hydrate is classifiable in the same 6-digit tariff provision as the relevant product enumerated in table 1.

Intermediate chemicals for dyes. (ICD)

Whenever a rate of duty of "Free" followed by the symbol "L" in parentheses appears in the special subcolumn for a heading or subheading, any product classifiable in such provision which is the product of a country eligible for tariff treatment under column 1 shall be entered free of duty, provided that such product is listed in the intermediate chemicals for dyes appendix to the tariff schedule.

Other Tariff Treatment Programs and Procedures

Certain Motor Vehicles Manufactured in Foreign Trade Zones (FTZ).

FTZ-1. **Duty Imposed**.
Notwithstanding any other provision of law, the duty imposed on a qualified article shall be the amount determined by multiplying the applicable foreign value content of such article by the applicable rate of duty for such article.

FTZ-2. **Qualified Article**.
For purposes of **notes pertaining to this program**, the term "qualified article" means an article that is:
2.1 --classifiable under any of subheadings 8702.10 through 8704.90 of the Harmonized Tariff Schedule of the United States,
2.2 --produced or manufactured in a foreign trade zone before January 1, 1996,
2.3 --exported therefrom to a NAFTA country (as defined in section 2(4) of the North American Free Trade Agreement Implementation Act (19 U.S.C. 3301(4)), and
2.4 --subsequently imported from that NAFTA country into the customs territory of the United States:
2.4.1 --on or after the effective date of this subdivision, or
2.4.2 --on or after January 1, 1994, and before such effective date, if the entry of such article is unliquidated, under protest, or in litigation, or liquidation is otherwise not final on such effective date.

FTZ-3. **Applicable Foreign Value Content**.
For purposes of **notes pertaining to this program**, the term "applicable foreign value content" means the amound determined by multiplying the value of a qualified article by the applicable percentage.

FTZ-4. **Applicable Percentage**.
The term "applicable percentage" means the FTZ percentage for the article plus 5 percentage points.

FTZ-5. **Other Definitions and Special Rules**.
5.1 For purposes of **notes pertaining to this program**--
5.1.1 **FTZ percentage**. The FTZ percentage for a qualified article shall be the percentage determined in accordance with paragraph**s 5.1.2 or 5.1.3**, whichever is applicable.
5.1.2 **Report for year published**. If, at the time a qualified article is entered, the FTZ Annual Report for the year in which the article was manufactured has been published, the FTZ percentage for the article shall be the percentage of foreign status merchandise set forth in that report for the subzone in which the qualified article was manufactured, or if not manufactured in a subzone, the foreign trade zone in which the qualified article was manufactured.
5.1.3 **Report for year not published**. If, at the time a qualified article is entered, the FTZ Annual Report for the year in which the article was manufactured has not been published, the FTZ percentage for the article shall be the percentage of foreign status merchandise set forth in the most recently published FTZ Annual Report for the subzone in which the article was manufactured, or if not manufactured in a subzone, the foreign trade zone in which the qualified article was manufactured.

5.2 **Applicable rate of duty**. The term "applicable duty rate" means the rate of duty set forth in any of subheadings 8702.10 through 8704.90 of the Harmonized Tariff Schedule of the United States that is applicable to the qualified article and which would apply to that article if the article were directly entered for consumption into the United States from the foreign trade zone with non-privileged foreign status having been claimed for all foreign merchandise used in the manufacture or production of the qualified article.
5.3 **Foreign trade zone; subzone**. The terms "foreign trade zone" and "subzone" mean a zone or subzone established pursuant to the Act of June 18, 1934, commonly known as the Foreign Trade Zones Act (19 U.S.C. 81a et seq.).
5.4 **FTZ annual report**. The term "FTZ Annual Report" means the Annual Report to the Congress published in accordance with section 16 of the Foreign Trade Zones Act (19 U.S.C. 81p(c)).
5.5 **Non-privileged foreign status**. The term "non-privileged foreign status" means that privilege has not been requested with respect to an article pursuant to section 3 of the Foreign Trade Zones Act.

HTS GENERAL NOTE CROSS-REFERENCE TABLE[1]

Old Note No.	New Note No.
GN 1	GP-1
GN-2	GP-2
GN-3	GP-3
GN-3(a)	GP-4
3(a)(i)	4.1
3(a)(ii)	4.2
3(a)(iii)	4.3
3(a)(iv)(A)	IP-1
3(a)(iv)(B)	IP-2
3(a)(iv)(C)	IP-3.1
3(a)(iv)(D)	IP-3.2
3(a)(iv)(E)	IP-3.3
3(a)(iv)(F)	IP-4
3(a)(v)(A)	WG-1
3(a)(v)(B)	WG-2
3(a)(v)(C)	WG-3
3(a)(v)(D)	WG-4
3(a)(v)(E)	WG-5
3(a)(v)(F)	WG-6
3(a)(v)(G)	WG-7
3(b)	GP-5
3(c)	GP-6
3(d)(i)	FTZ-1
3(d)(ii)	FTZ-2
3(d)(iii)(A)	FTZ-3
3(d)(iii)(B)	FTZ-4
3(d)(iv)	FTZ-5
GN-4(a)	GSP-1
4(b)	GSP-2
4(c)	GSP-3
4(d)	GSP-4
GN-5(a)	MV-1
5(b)	MV-2
GN-6(a)	AIR-1
6(b)	AIR-2
GN-7(a)	CB-1
7(b)(i)	CB-2
7(b)(ii)	CB-3
7(b)(iii)	CB-4
7(b)(iv)	CB-5
7(b)(v)	CB-6
7(c)	CB-7.1
7(d)	CB-7.2
7(e)	CB-7.3
7(f)	CB-7.4
7(g)	CB-8
GN-8(a)	IL-1
8(b)	IL-2
8(c)	IL-3
8(d)	IL-4
8(e)	IL-5

[1] GRIs and AUSRIs are not included or affected. See new table of contents.

GN-9	Dropped from draft
GN-10(a)	FAS-1
10(b)	FAS-2
10(c)	FAS-3
10(d)	FAS-4
10(e)	FAS-5
10(f)	FAS-6
10(g)	FAS-7
GN-11(a)	ATPA-1
11(b)(i),(ii)	ATPA-2
11(b)(iii)	ATPA-3
11(c)	ATPA-4
11(d)	ATPA-5
11(e)	ATPA-6
GN-12(a)	NAFTA-1.1
12(b)	NAFTA-1.2
12(c)	NAFTA-2
12(d)	NAFTA-3
12(e)	NAFTA-4
12(f)	NAFTA-5
12(g)	NAFTA-6
12(h)	NAFTA-7
12(i)	NAFTA-8
12(j)	NAFTA-9
12(k)	NAFTA-10
12(l)	NAFTA-11
12(m)	NAFTA-12
12(n)	NAFTA-13
12(o)	NAFTA-14
12(p)	NAFTA-15
12(q)	NAFTA-16
12(r)	NAFTA-17
12(s)	NAFTA-18
12(t)	To be moved to chs.1-97
GN-13	PHAR
GN-14	ICD
GN-15	GP-9
GN-16	GP-8
GN-17	GP-10
GN-18	GP-11
GN-19	GP-7
GN-20	GP-12
GN-21	GP-13